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Indian food exports hit by plague panic

By Stefan Wagstyl in New Delhi

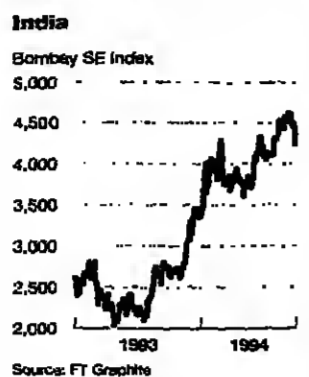
India's businessmen were yesterday counting the growing economic cost of the plague, with tourism and food exports the two sectors hardest hit.

The disease, which has killed about 50 people and left 2,000 others sick, has disrupted the travel trade and exports. Hotels and tour operators, gearing up for the start of the tourist season, have reported cancellations by groups from Europe, the Far East and North America. Some business visitors have cancelled trips. At least three trade fairs have been postponed.

Trade with the Gulf states, worth \$3bn a year, has been badly hit by the decision by Gulf governments to close air and sea links with India. The biggest impact is on exporters of fresh food, who rely on the Gulf for 70 per cent of their overseas sales.

Food exporters are having to cancel purchases, put produce in store or try to sell domestically. "After three years of effort in promoting exports we are back at square one," said Mr Gian Mega, assistant director of the Agricultural and Processed Food Products Export Development Authority. Fresh food exports to the Gulf last year totalled \$177m.

Health officials, including Dr N K Shah, the resident representative of the World Health Organisation, accused the Gulf countries and other states



which have cut trade links of over-reacting. The Indian government launched a publicity campaign aimed at calming the fears of tourists, business travellers and importers of Indian goods. Mr T Khanna, the commerce secretary, expressed concern at the potential damage to Indian trade. "There's been a panic reaction from some of our trading partners. But I believe it will soon blow over."

Speaking in London, Mr Manmohan Singh, the finance minister, said the countries which had imposed restrictions on travel and imports risked hampering efforts to deal with the problem.

"We are trying to create an atmosphere where people have confidence that plague is no longer an incurable disease," he said. "Creating an atmosphere of panic which drives the whole thing underground would do a great disservice to

both India and the outside world," he said.

An official of KLM, the Dutch airline, in Delhi said much harm had already been done. "The whole image of India has already been affected," he estimated 25-30 per cent of tourists who had planned to travel to India by KLM this week and next had called off their trips. Other European airlines, including British Airways, Lufthansa and Swissair, also reported cancellations by tourist groups.

Yesterday's most serious development in the spread of the plague were the deaths of an 18-year-old man and a five-year-old boy in Delhi. They were the first deaths outside the western city of Surat and its neighbourhood, where pneumonic plague erupted last week. The tally of suspected cases rose by about 700 yesterday to 2,500, mainly in Surat and in remote eastern Maharashtra, where bubonic plague broke out a month ago.

India's exports in August were \$2.1bn, some 24.6 per cent higher than the same month last year. This followed four months of sluggish performance which gave rise to concern about future prospects. Figures published yesterday by the commerce ministry showed exports in the five months to August were 10.6 per cent up, compared with 3.3 per cent for the four months to July. But the growth rate is still below the annual target of 15 per cent or more.

Tribals win long autonomy struggle

By Gordon Grange in Patna

Jharkhand, a mineral-rich region of Bihar, India's second most populous state, is to be granted wide autonomy, marking a breakthrough in a 50-year struggle for self-determination. An agreement this week between the central government and the state of Bihar, provides for establishment of an autonomous council in Jharkhand, the southern half of the state.

It is by far the largest Indian region to be granted such status; most previous cases have involved small pockets of tribal land. In a campaign which predated the end of the British Raj, a separate identity for Jharkhand had been sought by the area's aboriginal peoples, but backing had also come from some industrial houses.

They argued that the Bihar administration, based in Patna, the state capital to the north, had long neglected their needs while reaping tax benefits from their activities.

Successive state governments of different political hues are said to have built a bureaucracy on the back of revenues from mining and industry, almost entirely concentrated in Jharkhand, while Bihar is India's poorest state. The estimated 40m people of Jharkhand will now gain their own assembly, with Bihar entitled to nominate 10 per cent of its members. The new entity is expected to control sectors such as agriculture, education and health.

Northern Bihar appear reconciled to the break, which some see as a prelude either to full statehood for Jharkhand or its turning into a union territory dealing direct with Delhi.

A Bihar government official said the tribal south had long enjoyed special status and state income would not be affected. But the move may encourage further development in Jharkhand, which apart from coal, bauxite and copper has a prime deposit of mica, a substance with applications in computer technology.



An elderly man is taken past a dragon sculpture in Tiananmen Square during preparations for today's National Day celebrations. Beijing's rulers, although breathing fire internationally, are not as confident about the domestic situation

China applauds the past as it looks to life without Deng

Beijing celebrates 45 years of communism, while the health of its most radical economic reformer is failing fast, says Tony Walker

China today celebrates the 45th anniversary of the Communist revolution in the shadow of the deteriorating health of Mr Deng Xiaoping, the senior leader, and burdened by worries over rising prices.

But the country's top officials are seeking to ensure these concerns do not spoil the anniversary celebrations that are being conducted with an intensity that seems out of proportion to the occasion.

Among planned displays are mass choral concerts in which thousands of voices will be raised in patriotic songs of a bygone era. China's rulers, it seems, are delving into the past to validate the present.

Preparations have been under way for months and were given a political focus by this week's meeting of the 320-member Central Committee, which approved a blueprint for revitalising party institutions.

The document, with the numbing title of "The resolution on strengthening grassroots party organisation", was hardly the most self-confident declaration by the world's largest mass political organisation.

Its emphasis on bolstering party institutions in this uncertain transitional phase from one generation of leaders to the next, revealed deep-seated concerns about the future at a time when the communist party's prestige is at a low ebb. But for today at least, China's leaders will be at pains to deflect attention from the shortcomings of the ruling party and personal hardship, to the mass celebrations in Beijing.

China's attention will focus as it has so often in the past, on Tiananmen Square, where 100,000 people from across the country will participate in "flag waving" events to mark the anniversary.

Official propaganda has sought, in the build-up to national day, to remind people of their increasing prosperity and to link this with Mr Deng's legacy. A campaign to lionise China's ailing senior leader has moved into higher gear.

In Beijing, a photographic exhibition of Mr Deng's life has been mounted at the Museum of Revolutionary History on Tiananmen Square; laser discs of his speeches are being mar-

keted; and news commentaries have been trumpeting his contribution to the revolution.

Praise for Mr Deng's theory of "building socialism with Chinese characteristics", a phrase that means almost anything goes, is the slogan of the moment. Party documents make scant mention of ideology these days beyond pro-forma references to the party's Marxist underpinnings.

Mr Deng's dire warnings that China would be "tipped over" unless it adhered to the "four cardinal principles" now appear a faint echo of the past. China, he had said, should resolutely adhere to the socialist road, the people's democratic dictatorship, the leadership of the party, and Marxism-Leninism Mao Zedong thought.

Emphasis given to Mr Deng's reformist role has fuelled speculation about his possible early demise. Attempts to reinforce his legacy in the public mind are seen as part of enhanced preparations for his death.

China's senior leader last appeared in public when he was shown on television visiting Shanghai earlier this year. He was extremely frail, and his

health is said to be continuing to deteriorate. Unconfirmed reports circulated in Beijing this month that he had been committed to hospital.

But while China might be exhibiting unease about its leadership transition and difficulties managing its economic transformation, it is showing no such diffidence in its foreign relations. Since the US renewed China's Most Favoured Nation trading status in May, Beijing has gone on the offensive.

It has toughened its position in the row with Britain over Hong Kong, taken Japan to task for the invitation extended to Taiwan's President Lee Teng-hui to attend this month's Asian games in Hiroshima, and sharply criticised the US over its decision to make small changes in the way it deals with Taiwan.

A mood of self-congratulation was certainly reflected in a commentary published this week by the official Xinhua news agency. "China has made brilliant achievements in diplomacy over the past 45 years," it quoted a vice foreign minister as saying.

Singh predicts growth of 7% through the 1990s

By Peter Montagnon

India's economy has overcome the crisis of 1991 and can look forward to sustainable growth of 6 to 7 per cent in the second half of the 1990s, Mr Manmohan Singh, finance minister, said in London yesterday.

"We have been essentially in the business of crisis management. This year that phase is broadly over," he said.

Mr Singh, in Europe for the annual meetings of the International Monetary Fund and World Bank, was at pains to rebut charges that the pace of economic reform was slowing. Except for a setback in curbing the fiscal deficit, reform had gone "broadly at the pace that we said we would go".

For example central government would continue with its privatisation effort. The so-called Rangarajan report of a committee set up by the government and the Reserve Bank had recommended central gov-

ernment should reduce its stake in public sector companies to as low as 26 per cent in some cases. Current rules call on the government to maintain a 49 per cent stake in companies which are privatised.

Mr Singh said this report had not yet been discussed by the cabinet, but he sympathised with its conclusions. "We need a bolder programme of disinvestment in order to reduce the burden of interest charges."

India also expected to introduce legislation on trade union reform within two years and make the rupee convertible on the capital account by 1996 or 1997. It would stand by its plans to relax quantitative restrictions on imports of consumer goods within the next three years.

Such protection encourages excess domestic production of consumer goods as opposed to investment goods and diverts foreign investment to the

wrong sectors, he said.

Mr Singh acknowledged that the medium term expectations were for a growth rate no higher than India achieved in the 1980s and lower than that anticipated for China. But he said India's earlier growth had been unsustainable because it depended too heavily on borrowing.

As for China, its economic statistics needed greater scrutiny. There was a possibility that they overstated growth while China could manage with a higher rate of inflation than India.

This year the Indian economy should grow at more than 6 per cent. The inflation rate should fall back to about 7 per cent from more than 8 per cent at present. Though export growth had slowed, the current account deficit would remain small and the budget deficit should be held to 6 per cent of gross domestic product.

Pachinko gamblers defy tax bait

By William Dawkins and Kuniko Kurimura in Tokyo

Japan's national police force has lost a campaign to tempt more operators of the country's pachinko game industry to accept the virtues of paying tax.

The National Police Agency reports it is making little headway with its tactic of introducing tax-assessable pre-paid game cards, an attempt to persuade pachinko parlour owners to divulge earnings.

The government's recent tax reform, partly intended to bolster the tax base, is therefore likely to leave untouched a rich source of revenue.

Pachinko, an addiction for a quarter of Japan's population, is a recession-proof mixture of pinball and gambling. It has an estimated annual turnover of ¥5,000bn (\$1.13bn). Players hoard hundreds of ball-bearings,

fed into pinball machines and spat out again in greater or lesser amounts, regulated by computer.

Metal balls are exchanged for prizes or sold for cash, contrary to a Japanese law against gambling for money. The balls are sold at neighbouring shops, whose ownership is tied to the pachinko parlours.

The parlours are often owned by North Korean immigrants, who send a popularly estimated ¥90bn-¥900bn a year back to relatives in Pyongyang. Failure to crack the problem has not only cost the government tax revenue, but caused diplomatic embarrassment over this unintended subsidy to an unfriendly regime.

Japan's police force chose a tactful line. Taking a heavy hand to pachinko would have invited the anger of the gangsters who protect this and

other fringe industries. As has been shown in recent weeks some of these gangsters have alarmingly light trigger fingers.

At the turn of the decade the police agency informally promoted the development of two producers of pre-paid pachinko cards, and vending machines, Nihon Leisure Card and Nihon Game Card, both chaired by former police officers.

The aim was to enable tax authorities to guess individual pachinko operators' sales and income by the number of pre-paid cards they purchased, according to a report in the latest issue of the weekly magazine Aera.

Since starting business in 1990, the two groups have installed systems in just over 3,000 out of Japan's 18,000 pachinko parlours, making a tidy profit. Police gave new

pachinko owners operating licenses in half the usual time, in return for a promise to install a card system, according to Aera. Existing operators, showing deference to the police, bought systems in the interests of "modernisation".

The hitch was that parlours continued to sell balls for cash, alongside pre-paid cards.

In despair, the police agency asked the finance ministry to offer tax reductions to pachinko parlours that were prepared to come clean and use pre-paid cards exclusively. The ministry, which has never shared the national fondness for a flutter in the pachinko arcade, refused.

It goes to show that removing some of the constraints on the Japanese economy can be longer and trickier than it might at first appear.

Liu spells out reform programme

By Peter Norman in Madrid

China plans to accelerate economic reform with the aim of establishing a "socialist market economy" by the end of the century, Mr Liu Zhongli, Chinese finance minister, said in Madrid yesterday.

Mr Liu told an International Monetary Fund and World Bank conference, that the Beijing government's priorities were to establish modern enterprise systems and speed the reform of macro-economic management "in fiscal, taxation, financial and investment areas".

He said China would establish a legal framework for a

modern market economy to govern and regulate the new corporate culture. China would also take steps to control inflation and maintain stability.

Mr Liu pledged to step up China's exchanges with countries abroad. "Opening up to the outside world constitutes an integral component of our reform programme," he said.

Mr Liu acknowledged that China was still in transition from the old highly centrally planned system, which was "deficient in discipline and risk-containing mechanisms", to one in which market mechanisms played the dominant role in allocating resources.

"We envisage that by the end

of the 1990s a socialist market economy will, by and large, have been established, which will develop into a mature and stable system in another 20 years or so."

Mr Liu's comments marked the first time a senior Chinese official had spelled out to an international audience China's plans to speed reform. They were seen as likely to boost confidence among international investors who last year poured more than \$20bn (\$12.6bn) in direct investment into China, making it the largest single recipient of foreign direct investment in the developing world.

Senior World Bank officials

also gave China a vote of confidence yesterday when they disclosed that the bank, which committed more than \$30n to China in regular and concessional loans last year, could continue lending at this rate for five or 10 years.

Mr Nicholas Hope, director of the World Bank's China and Mongolia department, said the bank had three priorities in China: to help implement its reform programme; ease infrastructure bottlenecks, especially in the power and transport areas; and to help in the plan to eliminate absolute poverty, affecting 80m people, by the year 2000.

Opposition snubs Japan's premier

By William Dawkins

Japan's new opposition group yesterday boycotted prime minister Tomichi Murayama's address to the opening session of parliament, the first such event in 23 years of Japanese politics.

Undeterred, Mr Murayama outlined his three-month-old government's policies to his opponents' nearly empty benches, completing the political and tax reforms started by the opposition parties during their tenure in power for nearly a year until June.

He aims, during the 65-day parliamentary session, to enact a bill to redraw Japan's unique multi-seat constituency boundaries, replacing them with single-member seats, and plus regional seats to be chosen by proportional representation.

This will be the final touch to the political and electoral reforms which have dominated the government's time for much of the past year.

Also on the new government's agenda is the enactment of a recent package of income tax cuts with a subse-

quent increase in consumption tax, civil service spending cuts, and pensions reform.

Renovation, the newly formed voting bloc of nine opposition groups, gave its reason for boycotting Mr Murayama's speech the government's refusal to select a member of the opposition as deputy speaker of the lower house.

Renovation also wanted an 80-day rather than 65-day parliamentary session.

Opposition officials promised to give the government a "turbulent" parliamentary session, starting with questions to the prime minister next week. The government, however, with its 33-seat majority, appeared confident of being able to hold power for its full term.

Mr Ketsu Obuchi, vice president of the Liberal Democratic Party, the dominant member of the ruling coalition, said yesterday that autumn 1997 would be the best time for the next general election.

The opposition, by contrast, wants an election soon after the new constituency boundary bill is enacted.

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Murayama urges action to reduce unemployment

By William Dawkins

Mr Tomichi Murayama, Japan's prime minister, yesterday called for steps to fight unemployment, which remained stuck at a seven-year high of 3 per cent in August for the second month running.

He made his appeal at the first meeting of labour ministers since the government took office in June.

The Economic Planning Agency said it would advance by a month to early October, details of a scheme to expand the government's ¥430,000bn (\$2.27bn) public works scheme, covering the decade to 2000.

The latest unemployment report suggests that the labour market will continue to be weak through the early stages of Japan's economic recovery, warned government officials.

The number of jobs available for every 100 job seekers rose slightly from 62 in July to 63 last month, but was still low for a country that agonised over a labour shortage only five years ago.

Most economic analysts expect the jobless rate to go on rising gently into the recovery, because the yen's strength continues to put pressure on exporters to cut costs to bring them closer into line with

international competitors.

That conclusion was supported yesterday by a labour ministry survey of manufacturers, in which more than 40 per cent of companies which were starting production overseas expected to cut Japanese staff as a result.

The risk of deflation still remains, according to another set of statistics released yesterday, showing that consumer prices in Tokyo rose by a mere 0.1 per cent in the month to September. The trend is for prices to stagnate, reckons the government's management and coordination agency.

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NEWS: UK

IBA sets up telecoms network arm

By Andrew Adonis
and Raymond Snoddy

Competition in the hotly contested long-distance telecommunications market intensified yesterday with the launch of a new network by NTL, the privatised transmission arm of the former Independent Broadcasting Authority.

NTL said it would undercut existing operators British Telecom and Mercury by about 30 per cent.

In effect NTL will provide wholesale trunk capacity for existing telecoms operators or large corporate customers. Its network, comprising microwave radio links between all the main population centres, is the second to be launched this week following the start of service by Easnet, the telecoms arm of the National Grid.

Since NTL was privatised in 1991 in a £70m deal, Mr John Forrest, then chief executive and now deputy chairman, has made it clear he wanted to expand beyond providing broadcast transmission services and into more broadly based telecommunications.

NTL's national telecoms launch follows deals with Vodafone, the UK's largest cellular operator, and Birmingham Cable, a cable TV and telecoms operator, which are using NTL to carry part of their long-distance traffic.

Cable companies, which are laying local television and telecoms networks but lack national telecoms links, are NTL's most likely customers. They are keen to force down long-distance carriage rates,

and have avoided signing long-term deals with BT or Mercury which would restrict their capacity to move business to lower-cost suppliers.

NTL has been developing into a broadly based communications technology and service group. Earlier this year it paid £6.6m for DTLS, an organisation which specialises in mobile communications for emergency services.

The group has also been gaining increasing recognition for its work on digital compression, which allows between eight and 10 channels of television to be squeezed into the capacity normally occupied by one.

The group, based at the former IBA research headquarters near Winchester, has a development deal with Mr Rupert Murdoch's News Corporation and Pace, the consumer electronics group.

NTL's digital compression technology is likely to be used as part of plans to launch satellite television systems next year in Asia and Europe.

NTL, which was bought by Mercury Asset Management, the fund-management arm of S.G. Warburg, is expected to float eventually on the London Stock Exchange, although no date has yet been set.

NTL claimed that its network - which can be used for voice, data and video links - is the first in the UK to use leading-edge digital transmission technology.

Mr John Okas, NTL's telecoms division director, said: "This is part of our strategic development into UK telecoms."

ITV to increase programmes budget to £550m

By Raymond Snoddy

The ITV companies have agreed an unprecedented network programme budget of £550m for next year - a rise that is double the rate of inflation.

The figure, hammered out in talks between all the ITV companies, compares with £527m for this year. The increase indicates that ITV is prepared to keep investing to retain its ratings lead over the BBC, particularly in popular drama.

The budget, excluding the cost of the news service provided by Independent Television News, might also include a further £22m as a contingency fund.

Mr Marcus Plamin, director of the ITV Network Centre, which commissions the national ITV schedule, said yesterday that £210m has been spent on UK-produced drama. He announced the ITV peak-time schedule for 12 months ahead - the first time a UK broadcaster has committed itself for a year.

Mr Plamin - speaking at an industry presentation to advertisers and agencies - stepped up ITV efforts to expose what he called the myth of the demise of terrestrial television.

"We have maintained our peak-time audience share for the past three years now and have been hardly affected by cable and satellite television

penetration, which has happened much more slowly than predicted," he said.

Mr Plamin said that ITV has maintained "both its peak-time (audience) share of around 44 per cent over the last three years and its 11 per cent lead over the BBC."

ITV commissioned 20 new drama projects for next year - 10 of them single dramas which are pilots for possible new series.

The new series range from John Thaw as a London barrister in *Kavanagh QC* to an adaptation of Mary Wesley's book *The Vacillations of Poppy Carew*. The highlights of factual programmes will include *The Churchills* to mark VE day, *A Sent On The Board*, about the business community, and *Lady Killers*, an examination of the fatal illnesses which affect women.

The Network Centre has established a rolling three-year budget, enabling it to enter exclusive long-term deals with Hollywood studios such as Columbia and Warner Brothers.

Mr Plamin claimed that the loss of Premier League football to British Sky Broadcasting, the satellite television network in which Pearson, owner of the Financial Times, has a stake, was a blessing in disguise as it enabled the network to spend more on drama, entertainment and factual programmes.

Livestock shipping ban 'may cost farmers £200m'

By Deborah Hargreaves

British farmers stand to lose up to £200m a year in trade from bans on the export of live animals to the Continent imposed by the EU.

The figure was given yesterday by the Association of Livestock Exporters one day after the start of the ban by P&O.

There was more bad news for farmers yesterday as it became clear that a

new service for transporting live animals was unlikely to be able to start immediately. MDT Holdings, a London-based shipping company, plans to unveil a service from Harwich to get around the ban on live exports which has now been imposed by most large ferry companies.

However, the agriculture ministry said yesterday that the company's vessel had not yet been approved by its inspectors and was unlikely to

receive the go-ahead for a service to begin today. "The company hasn't submitted any formal papers for export yet," the ministry said.

P&O introduced its ban because it was unconvinced by tough measures introduced by Mr William Waldegrave, agriculture minister, to improve the treatment of live animals on long journeys. "We are looking to Brussels for some action - there needs to be European-wide

enforcement of the measures," it said. The ban in effect cuts off business for UK farmers, as the company carried 60 per cent of live exports. Stena Sealink and Brittany Ferries, with 10 per cent of the market each, have already introduced bans - although Brittany's ban covers only animals destined for immediate slaughter.

Livestock markets are already feeling the effects of the ban. The Meat and Livestock Commission, the industry's marketing body, reports prices for Friesian bull calves down 30 per cent this week to £99 a head against the same week last year.

Prices have dropped sharply in recent months from £170 per animal at the end of June. This can be explained partly by a seasonal increase in cattle coming to market, but much of the drop in the market is attributed to uncertainty among farmers over the ferry ban.

Call to retain US defence trade link

By Bernard Gray

The UK should look to the US as well as Europe when considering developing new weapons systems, Mr Roger Freeman, defence procurement minister, said yesterday on his return from a visit to Washington.

Mr Freeman said Britain should not move into an exclusively European defence industry but should co-operate with the US on programmes such as anti-ballistic missile systems. "Whilst we have collaborations with France and Germany we should not be party to any lockout of the Americans."

He pointed out the imbalance in defence equipment trade between the US and the UK. "Currently we buy about \$2bn of equipment from the US annually, but they only buy about \$1m of equipment from us. We need to have a more level playing field."

In Washington Mr Freeman met Mr John Deutch, deputy US defence secretary, as well as congressional leaders. Mr Freeman told Mr Deutch that the UK was considering placing several very large equipment orders in the US, including replacement Hercules aircraft and attack helicopters for the Army. The orders are worth a total of more than \$2bn.

He called on the US to be equally open in its procurement policies. He particularly mentioned the UK-Italian EH101 large helicopter as a possible alternative to Boeing's V-22 Osprey, which is under threat of cancellation.

Mr Freeman told congressional leaders that protectionist policies in defence increased the cost of equipment to the US taxpayer. But he acknowledged that in times of heavy cutbacks, the pressure to buy locally was very strong.

He highlighted a number of areas where the UK could co-operate with the US in weapons development. He said that British expertise in surveillance, tracking and radar, for example, could have application in ballistic missile defences.

Mr Freeman's emphasis on transatlantic links may disturb some European business leaders who see the development of a pan-European industry as the only way to prevent US domination of the international defence market.

Mr Louis Gallois, chief executive of the French state-owned Aerospatiale, argued earlier this year that the European aerospace industry had to consolidate quickly to meet the US challenge.

Many British defence executives also believe that while there may be collaboration with the US on specific programmes, the bulk of the co-operation and mergers will be within Europe, rather than as Anglo-American deals.

See change in defence, Page 7

Abracadabra! It's the barter magicians

Motoko Rich talks to the people who can turn a photocopier into a delivery van

Mr Edward Kalfayam, owner and managing director of Digital Print Technologies, a commercial printer, has performed an act of financial sorcery. "I am spending £20,000 that I don't have this year," he said.

In deals with a computer company and a laminating-machine maker, Mr Kalfayam acquired £20,000 worth of hardware by bartering his company's printing services.

This kind of reciprocal arrangement is more familiar to factory managers in the former Soviet Union, where struggling economies have resorted to barter as a form of payment. But for Mr Kalfayam, whose business has a turnover of just under £1m a year, the trade of services for goods rather than cash is a positive move which has bolstered his company accounts.

Now he has an opportunity to increase his bartering power and move beyond one-to-one trades. As a member of London-based Capital Barter Corporation, a company which orchestrates third-party deals, he has entered a pool of businesses which offer their goods and services for trade credits rather than cash. Since last year Digital Print has used trade credits to purchase legal services, couriers, air-conditioning and floor coverings.

CBC is one of a handful of barter companies in Britain's fledgling industry, which includes The Bartering Company and Business Barter Exchange - both in London - and Eurotrade in Newcastle upon Tyne.

The UK's systems are modelled on a flourishing industry in the US, where the \$7bn (£4.4bn) barter business has been running for more than 30 years. There, large companies such as Lufthansa, the German national airline; Playtex Family Products, which makes healthcare products, and USA Network, a cable television company, use barter schemes for sophisticated deals of about \$2m or more.

CBC, which began trading last year, conducts compara-



Swap-shop: Victoria Chuskey, a trade broker, at work in the Capital Barter Corporation offices

The seasons, fickle consumers and changing fashions can all leave clothing manufacturers and retailers with unsold stock. Motoko Rich writes.

Traditionally, excess stock is discounted heavily or sold to liquidators for as low as 15 per cent of wholesale value.

But yesterday, Apparel Marketing Services, the trading subsidiary of the British Knitting and Clothing Export Council, signed an agreement

with Atwood Richards, a US corporate barter company, to offer the council's 1,200 members an opportunity to dispose of assets for better value.

Atwood Richards, a private company, has been operating since 1958. It trades in 28 countries and opened its UK office in London last year. "Where companies can no longer realise the cash or are facing a loss, we will buy their stock at close to wholesale

value and exchange it for essential, pre-budgeted goods and services," said Mr Trevor Edwards, managing director of Atwood Richards in London.

The company acts as a principal - as opposed to a broker - and buys products with trade credits, which are redeemable for specified goods and services. These are obtained when Atwood sells a client's excess products, usually outside its cash market.

"We are a mix of an issuing bank, a clearing bank and a trading house or broker," said Mr David Carlisle, legal

and policy adviser to CBC. In the US, selling unsold inventories is an important function of the larger barter companies. "With the proliferation of bells and whistles on new products, older products go obsolete very quickly," said Mr Alan Elkin, chief executive of Active International, one of the largest US barter companies.

The company does \$500m in trade annually. Mr Elkin said: "We allow manufacturers to trade for a wanted asset rather than cash, and they can liquidate their merchandise for the full value that it is worth."

But barter can never be the main form of sales for a company's product. "It is not going to save a failing firm that cannot make enough sales on a cash basis," said Mr Paul Suplizio, chief executive of the International Reciprocal Trade Association. "But it can provide a margin of additional value."

This value is best achieved in sectors where the incremental cost of taking on extra clients is low. Franchises, hotels, advertising agencies and many manufacturers fall into this category.

"Allowing one room to be let on barter, for example, only costs a hotel the price of laundry and cleaning because all the other services in the hotel are fixed costs paid for by cash clients," said Mr John McLenan, CBC operations director. "But the buying power it earns in trade pounds is equal to the full retail value of the room."

Some companies are reluctant to deal in barter because they believe they still get better deals in cash. "A lot of companies, when they find out how much a fax machine is in trade pounds, say they can get a better deal by getting a discount in cash," said Mr John Howard, marketing manager at Konica Business Machines, which has traded about \$80,000 worth of photocopiers and fax machines for carpeting and delivery vans. "But if they think how much it would cost to generate that cash, they would find it is cheaper to do the deal on barter."

Bottomley signals delay on NHS local pay deals

By Lisa Wood, Labour Staff

Mrs Virginia Bottomley, health secretary, yesterday admitted that locally determined pay could not be introduced comprehensively next year for National Health Service workers.

She told the Trust Federation annual conference in Bournemouth that, like the independent pay review bodies, she expected to see a move to local pay in the NHS over the next few years. She described it as a "natural development" of trust status.

This appears to contradict evidence submitted by her department to the independent pay review body for nurses and

midwives earlier this month. The submission called for the body not to recommend an across-the-board increase, but to speed moves towards local arrangements.

In its evidence to the pay review body the department said it wanted "a strong steer to the continued development and implementation of local arrangements by leaving employers with maximum scope for local action". It added: "Clearly, any across-the-board recommendations would inhibit such developments."

Only about 11 NHS trusts, which include community and ambulance services as well as hospitals, have introduced comprehensive local pay pack-

ages, including performance-related pay.

Many trusts have expressed concern that they may not have the packages in place by April, the date for review-body pay settlements, and the target set by the NHS executive for local pay packages.

Unions representing nurses, which have submitted an 8.3 per cent pay claim when the government is seeking a second annual total pay-bill freeze, said they were bemused by the conflicting signals from the health department.

In her speech Mrs Bottomley said local pay would only work if trusts worked with staff, explaining and communicating every inch of the way. "That job starts now," she said.

Watchdog claims record savings

By James Birtz

The National Audit Office, the public-spending watchdog, yesterday claimed to have prevented the Department of Employment and the Welsh Office from wasting millions of pounds in recent years.

In its annual report the office said it had achieved record savings of public money last year - in excess of £266m.

Amid concern about accountability and efficiency in Whitehall, Sir John Bourn, comptroller and auditor-general, stressed there would be no let-up in the number of scrutinies carried out by his organisation.

The report says that in 1991-92, the Employment Ser-

vice, an executive agency, made £30m of overpayments in unemployment benefit. As a result of the watchdog's findings, the discrepancy had been reduced to £9.6m by 1992-93.

It also claims to have discovered a discrepancy in the 1992-93 Welsh Office accounts which showed it had erroneously paid £263,000 of community charge grant to four local authorities. The Welsh Office has since recovered this money.

Mr Michael Meacher, shadow public-service minister, said the report showed the government's "waste and incompetence".

National Audit Office Annual Report, 1991-92, The Employment Service, 157-197, Buckingham Palace Road, London SW1.

Updating the 'polluter pays' policy

David Lascelles analyses a report suggesting a fresh approach to easing traffic pollution

The environmental impact of Britain's traffic has reached unacceptable levels and action is needed by the government to bring it under control, a recent pollution report says.

But Sir John Houghton, chairman of the Royal Commission on Environmental Pollution, said the aim of its report was "not to clobber the car" or limit freedom of choice when it came to travelling. "We'd like to see the benefits of the car realised, but with environmental factors more fully taken into account," he said.

This will provide some comfort to the government, which expects the commission's report to provoke strong criticism of its *laissez faire* transport policy and reluctance to take firm measures to deal with traffic.

The 300-page report, to be published at the end of the month, is the result of nearly two years' work by the 16-member commission, which consists of scientists and other environmental experts. It will

be making more than 100 recommendations on how to deal with Britain's transport problems.

The overall thrust of its recommendations should reinforce the government's commitment to push up the price of petrol and curb the harmful gases spewed out by more than 20m road vehicles.

The report's starting point is the government's forecast that the number of vehicles on Britain's roads will double by the early part of the next century. The quantified costs of transport pollution already amount to between £10bn and £20bn a year, including £5bn for accidents.

Although the government has a policy of making the polluter pay, the commission has concluded that simple application of this principle to transport will not work. For example, jacking up the price of

petrol to a level matching the environmental damage caused by traffic would also severely damage the economy and disadvantage large numbers of Britons such as rural dwellers.

"It has got to be done more intelligently than that," says Sir John. Instead, the commission will urge the government to set targets for reducing accidents, air pollution and noise.

The report also reviews a wide range of fiscal, technical and regulatory measures that might be used to achieve them.

Sir John declined to describe the recommendations in detail ahead of publication, but it appears that the report will put forward a package of options for dealing with traffic over the long term.

Some will increase the cost of driving, others will aim to raise technical standards of

vehicles, and others will put the case for expansion of public transport.

There will be a strong emphasis on tax measures, with a doubling of the petrol price over 10 years singled out as a desirable aim.

But the commission is also keen to raise the efficiency of the transport sector, and its recommendations will go into the area of "traffic management, industrial planning and even home working to find ways of bringing down the number of journeys people and businesses have to make."

"Environmental factors need to be much more seriously considered," says Sir John. "People are having to accept transport impinging on their lives in a way they don't like, through air pollution, noise and vibration, and land use."

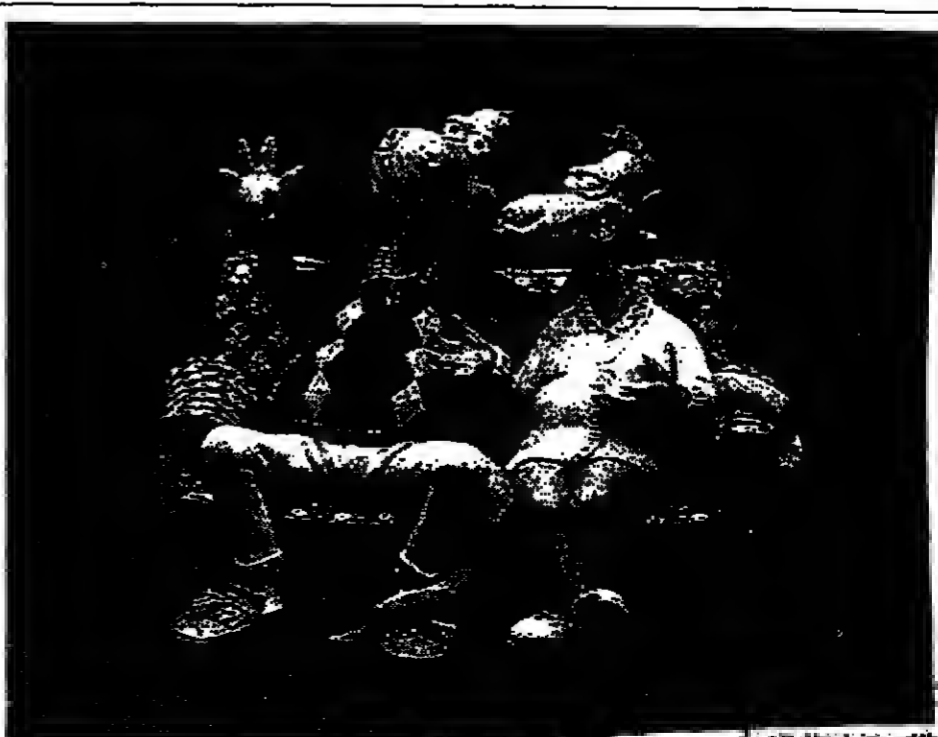
To reach their recommenda-

tions, members of the commission travelled widely abroad - to the US, the Continent and Japan. But Sir John said that no country had found the perfect answer.

The US approach was heavy-handed, making excessive use of regulation. Japan had curbed pollution and had a good train system, but its road network was poor. One of the strongest impressions members brought back was of Delft in Holland where 40 per cent of journeys are made by bicycle, even in the rain.

Although the commission's report is being awaited with some anxiety by the transport industry, Sir John said he doubted that it would reduce the amount of traffic on the roads; at best it would only slow down its growth.

"It would be unrealistic to expect any measures to reverse the rate of growth," he said. However he said the commission was looking for ways to have "a substantial impact" on the pace at which Britain's traffic was increasing.



Safeguarding fossil fuels: a team of friendly dinosaurs is taking a \$2m "green" publicity drive with the message: "Wasting energy costs the earth." The environmental department, led by the ministers Ron, Brenda and Billy - were chosen to "harness the publicity effect of young people"

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Nagging at the recovery

By rights, it ought to be a quite a party in Madrid this weekend. For the first time in several years, the finance ministers and central bankers of the Group of Seven largest industrial countries all have growing economies, with barely a hint of inflation to go with it. Even the latest World Economic Outlook from the International Monetary Fund allows itself to be unusually upbeat about the state of the world recovery.

Who could ask for more? The IMF would not be the IMF if it did not see reasons to worry, and corresponding room for improvement in many industrial countries' monetary and fiscal policies. But finance ministers rarely pay much attention to its straitlaced prescriptions: certainly not enough to let it ruin a couple of days' sunshine and sangria.

The nagging of the financial markets, however, is more sobering. Every downward lurch in American and European bond markets - like the one which occurred this week - can mean another missed budget deficit target and, possibly, another difficult round of tax increases and spending cuts. The markets' worries may be less consistent than the IMF's, but the underlying message is the same. Seizing today's opportunity for an unprecedented period of global growth requires prices to remain stable, and public borrowing to fall.

The good news is that the opportunity is there for the taking. As the IMF's report states, "the recovery of world activity and trade became firmly established during the first half of 1994". Overall, the organisation is predicting 3 per cent growth in global output this year, a little more than it thought likely when it produced its May Outlook.

Signs of recovery in continental Europe and Japan, and the growing momentum behind the US and UK upswings, mean that the global growth figure hides less diversity than before. The developing countries continue to grow fastest: the IMF expects output of poorer countries to grow by over 5% per cent in 1994 and 1995. But the more sedate 2% per cent growth expected in both years from the G7 countries compares well with the 1.4 per cent achieved in 1993.

Liberalisation

As the report shows, the global reach of the upturn owes much to the widespread liberalisation of capital markets. As a group, the world's poorer countries were able to attract annual net capital inflows of \$34bn, on average, in the first three years of the 1990s. The average figure for the preceding seven years was a mere \$3bn.

This influx of investment capital continues to play a large part in ensuring these markets "emerge". There are familiar laggards in the global growth picture. Africa, for one, has received little of the new investment flows, suffering slight net outflows of capital in both periods. But the IMF expects that even Africa will achieve 3.3 per cent growth this year, up from a meagre 1 per cent in 1993.

The world has not seen this combination of freely flowing capital and goods, and near-universal economic growth, since the early years of this century.

Market sentiment

Why then are the financial markets determined to spoil the party? As the IMF notes, long-term government bond yields have been on the rise world-wide, increasing by an average of 2 per cent in industrial countries since January. On Thursday, the yield on long-term US treasury bonds briefly touched nearly 7.90 per cent, the highest in over two years.

Not every shift in market sentiment has a sound rationale. But the underlying pressure on both nominal and real interest rates worldwide can be traced to two factors that did not cloud the picture in the early 20th century. Then, the global capital market could rely on two things: stable prices and a large pot of rich country savings.

Prices are again relatively stable in the main industrial countries: the IMF estimates consumer prices will rise only 2.4 per cent in the course of 1994. But the inflationary cycles of the 1970s and 1980s are too recent to be forgotten. And low inflation came after a long recession that has left unemployment at stubbornly high rates in Europe and elsewhere.

Thursday's US bond market fall, which was triggered by unexpectedly strong economic data, follows a pattern which is likely to become familiar elsewhere as the recovery takes hold. Investors worry that national monetary authorities will not act quickly enough to stem inflation, because of political pressures to deliver higher growth.

Yet not all of the rise in bond yields can be put down to inflation jitters. The rise in index-linked government bonds in the UK and Canada since February points to real pressures on investment funds. Partly, this is a predictable result of the pick-up in the cycle. But it also stems from the fact that governments, companies and developing countries are all borrowing at the same time. Something has to give: the ministers and government officials assembled in Madrid should decide it will be them.

Somehow, it has happened again. Seven years after the British vehicle ferry Herald of Free Enterprise capsized off Zeebrugge with the loss of 193 lives, the Estonia disaster has focused world attention on a question that shipowners hoped had gone away: are roll-on, roll-off ships like these inherently unsafe?

The answer will depend on the conclusions of the various inquiries into the Estonia sinking, now thought to have cost more than 900 lives. But if the inquiries decide, as seems likely, that the Estonia sank because water entered the vehicle deck, the consequences for the ferry industry will be dramatic.

At the least, public opinion could force governments to insist on expensive structural changes to the design of new ships, making them more expensive and less able to compete with aircraft and undersea train services like those through the Channel tunnel. At worst, shipowners could be forced to spend hundreds of millions of pounds on rebuilding existing ships to tougher safety standards.

That would have serious economic implications, especially in Europe, where the speed and flexibility of vehicle ferries has made them indispensable to trade between continental Europe and the outlying economies in the British Isles and Scandinavia. More than 500 ferries cross the North Sea and the English Channel every day; worldwide, the number of such ferries in use has risen to 2,158 this year from 1,847 when the Herald capsized. No one knows how much traffic these ferries carry, but they have the capacity to carry 9m gross tons of traffic a day - a third more than seven years ago.

The talk in shipping circles yesterday was of waiting to see what caused the Estonia to sink, of not jumping to conclusions, of the possibility that the disaster could have been caused by anything from an engine explosion to a mine left over from the second world war. But all the signs point towards a surge of water entering the vehicle deck through one of the main doors.

Much has been done to improve the safety of roll-on, roll-off ferries since 1987. The International Maritime Organisation, the United Nations agency for shipping, agreed in 1988 to raise the stability requirements for new ferries from 1990 and in 1992 to phase in tougher requirements for older ships. The rules also require safety improvements such as closed circuit television supervision of vehicle decks, and emergency lighting to help survivors of an accident reach safety.

The sinking of the Estonia, a ship 50 per cent-owned by the Estonian state and largely crewed by Estonians, has been a severe blow to this country of 1.6m people in only its fourth year of independence.

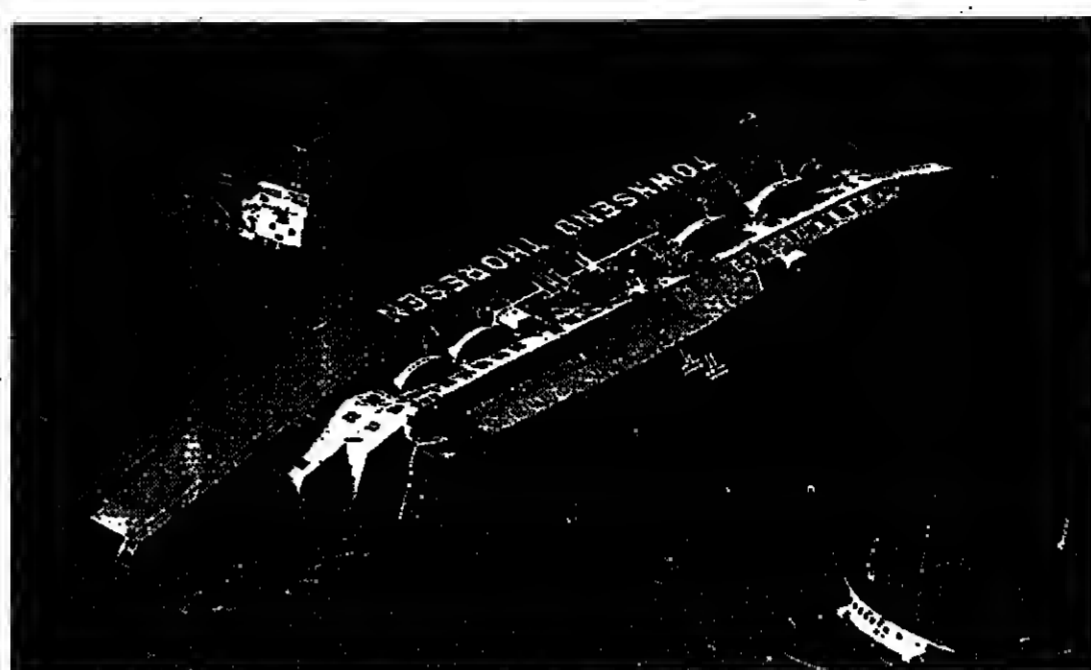
The disaster has directly affected a larger proportion of the nation than in the case for Sweden, where most of the victims lived, or Finland, which played an important role in the rescue operation.

Estonians also feel that it has thrown into question the competence and efficiency of their country's shipping industry - and its ability to break free from the inheritance of its past in the Soviet Union, where transport was expected to be hazardous.

A large white cross has been placed on a grassy knoll near Tallinn's Maritime Museum, with candles burning on both sides. Memorial services will be held throughout Estonia tomorrow.

Kevin Brown on the safety questions raised by the Baltic shipping tragedy

What future for the ferry?



Sea tragedy: The Herald of Free Enterprise, which capsized off Zeebrugge in 1987 with the loss of 193 lives

The UK went further, passing domestic legislation requiring all ships visiting UK ports to meet the full 1980 standards. This forced shipowners to scrap older ferries that could not be improved, or to transfer them to countries with less rigid safety standards.

However, neither the UK nor the IMO addressed the biggest danger of roll-on, roll-off ferries - the open vehicle decks running from one end of the ship to the other.

The design of such ships dates back to the 1950s, when trade was picking up rapidly after the second world war. Shipowners realised that cargoes could be transported more quickly and efficiently if cars and lorries could be driven straight onto their ships at the dockside and off again at the end of the journey. The easiest way to do that is provide one or more vehicle decks, access-

ble through large doors in the hull, running the length of the ship. The design works best if the deck is uninterrupted by walls - known to mariners as bulkheads - which complicate vehicle loading.

The result is that the protection afforded by bulkheads below the vehicle decks is undermined by a huge and vulnerable open space in the middle of the ship. The space is perfectly safe while it remains dry. But small quantities of water entering the vehicle decks can cause the ship to develop a heavy list and to capsize within a few minutes.

An independent inquiry in the UK, conducted by Mr Justice Sheen after the sinking of the Herald of Free Enterprise, concluded that this problem, called the free surface effect, was responsible for the disaster. The judge concluded that forcing shipowners to place vertical

transverse bulkheads across vehicle decks would make roll-on, roll-off ferries uneconomic. The IMO also avoided any mention of vehicle deck bulkheads in its 1980 standards, preferring to wait for the results of a UK-Danish technical study on design and construction; the next stage of the report will be released in November. But if the free surface effect sank the Estonia, the demand for action is likely to become irresistible.

Much of the pressure for tougher regulations has come from survivors of major accidents, including the Herald sinking, who have given graphic first hand accounts of the chaos involved in a capsized. Survivors of the Estonia tragedy have begun to tell similar stories.

There is a wealth of expert opinion on their side. The late Professor Dick Bishop, a leading naval archi-

tect who was also vice-president of Britain's prestigious Royal Society, was a strong supporter of bulkheads. Mr Alan Gilliland, vice-chairman of the safety committee of the Royal Institution of Naval Architects, said yesterday that the Estonia sinking reopened the question of whether they should be made mandatory.

Most shipowners say that it cannot be done. Inserting transverse bulkheads would cost up to \$800,000 for each ship, and would probably destroy their ability to compete with alternative forms of transport. Longitudinal bulkheads, running from bow to stern, would pose fewer problems, but might also be less effective, they say.

"These ships are inherently safe until something totally unexpected happens. They have done a wonderful job for 30 years with very few accidents. It is important that we wait for the result of the inquiries into the Estonia, and don't jump to the wrong conclusions about what needs to be done," said Mr Jim Davis, chairman of the International Maritime Industries Forum, a shipowners organisation.

Mr William O'Neil, the IMO secretary general, recognised the depth of concern yesterday by ordering a review of vehicle ferries by the maritime safety committee, which has powers to amend international regulations enforced by countries accounting for 97 per cent of world shipping tonnage. There are many issues before the committee, including the extent to which roll-on, roll-off ferries can turn into death-traps in extreme circumstances.

Swedish and Finnish operators say their crews are regularly drilled to cope with emergencies. But, as the Estonia showed, even the best-prepared crews and passengers can be quickly overcome when a ship begins to list and sink. The horrific reports from the Estonia of panic-stricken and disorientated passengers clambering over one another to get out of the fast-sinking ship are evidence that emergency plans and exercises do not count for much in a ship that is capsizing or sinking rapidly. The television pictures of survivors and dead bodies in semi-swamped rubber rafts bear their own testimony to the effectiveness of life boats in the same circumstances.

They also add to the pressure on governments and shipowners to restore public confidence about the safety of shipping. The lesson of the last seven years, however, is that there are no easy answers.

Estonians feel the pain

John Lloyd in Tallinn reports on reactions to the disaster

There were no disasters because these accidents happened in calm weather conditions. But in a Baltic storm the disaster happened. "What seems to have taken place, from the reports I have had, is that the front part of the ship seemed to fall away and the water flooded in. That could not be crew failure and the inspection in Tallinn before the ferry failed showed no problems. Some people talk of a loud noise, as of a collision."

This possibility has also been raised by the testimony of one of the first Estonian survivors to come back to Tallinn, Mr Ain-Alar Johanson. On Thursday night, he

said he had heard a "loud, metallic noise" a little before the ship began to sink. Mr Andrek Tarand, top civil servant in the Estonian foreign ministry, said: "Even though a ship called Estonia was wrecked and went to the bottom, it doesn't mean that Estonia collapses - though this is a catastrophe that will be remembered for centuries."

Mr Ivar Raig, a member of parliament for the Rural Centre party, said: "In the short term, people will be worried about us - we may again be seen as a country of disasters."

"But on the other hand it can show how far we are part of another world. This was a ship built in Germany with mixed Swedish-Estonian ownership and the rescue operations were carried out by Swedes, Finns and Estonians. It is a common tragedy for all of these."

MAN IN THE NEWS: Ernest Hollings

Protectionist of the old school

Senator Ernest "Fritz" Hollings of South Carolina hopes to make this week that he changes the world.

Mr Hollings intends to try to scupper the legislative package needed to implement the Uruguay Round of the General Agreement on Tariffs and Trade in the US.

As the chairman of both the Senate commerce committee and the appropriations sub-committee, which controls the Commerce Department's budget, Mr Hollings does have considerable influence on trade issues.

His resistance has stirred memories of the US congressional veto in the late 1940s that prevented the Gatt from becoming a permanent organisation, like other children of the Bretton Woods conference such as the International Monetary Fund or the World Bank.

However, the odds are strongly against Mr Hollings definitively derailing this Gatt bill. But even the delay is a terrible frustration to President Bill Clinton, who has already seen his hopes of reforming healthcare, welfare and campaign finance blocked by a recalcitrant Congress.

Under the fast track procedure created to give presidents greater authority to negotiate trade agreements, the Gatt legislation, sent to Congress by Mr Clinton earlier this week, may not be amended. Members do have the right to 45 legislative days to consider the package, and Mr Hollings has promised that he will use that to hold hearings. "I've got my 45 days and I'm going to use every bit of my 45 days," he said.

That would take Congress beyond next Friday, when it hopes to adjourn, and even beyond November 8, when there will be elections

for one third of the seats in the Senate and all of the House of Representatives.

Using the calendar in this way is a standard legislative manoeuvre at the end of a congressional session, as tempers wear thin and members grow impatient to return to their districts to campaign.

Still in jeopardy are measures such as the reform of the Superfund legislation governing the clean-up of toxic waste dumps, a bill to protect a large acreage of Californian desert from development and the last of the 13 spending bills the Congress must pass each year, covering the District of Columbia's budget.

But Mr Clinton has made it clear that completion of the Gatt is his highest remaining legislative priority. While many other bills are allowed to die, or are postponed, if they fall off the end of the legislative calendar, Congress will be brought back to vote on the Gatt legislation.

Instead of adjourning, it will go into recess, while the clock continues ticking on Mr Hollings's 45 days. Senate leaders announced yesterday that the Senate will come back into session on November 30 and will probably vote on the Gatt bill the next day.

The chances of a defeat for the Clinton administration in that vote are slim. There is a substantial majority in both houses in support of the Gatt legislation.

Thus, the delay is only that. It is extremely unlikely that Mr Hollings could muster a simple majority of 51 votes in the Senate against the Gatt bill. There is also an outside chance that manipulation of parliamentary rules could raise the hurdle to 60 votes.

This is not Mr Hollings's first battle against a trade bill. An out-and-out protectionist of the old



school, he believes that the US regularly gives far more than it gets in trade deals, thus "tilting the playing field" away from US producers and consumers.

In 1985, 1988 and 1990, he persuaded Congress to pass legislation imposing import quotas on textiles, in a bid to protect one of his home state's principal industries. All three times the legislation was subjected to presidential vetoes.

His protectionism often veers into xenophobia and he is well known for his anti-Japanese statements and beliefs. A humorist, who often has crowds of lobbyists giggling in the aisles of his committee room, the many people that he has offended regard Mr Hollings's humour as deeply streaked with cruelty and racism.

Former Senator John Tower, who became the butt of Mr Hollings's scabrous tongue during his unsuccessful attempt to win Senate confirmation as defence secretary, called him "the Senate bully".

And black members of Congress were outraged last year when he quipped that African government officials attend international trade conferences so they can "get a good square meal" rather than "eating each other".

But one side said Mr Hollings was the first congressional committee chairman to hire a black staff director and has hired more women and minorities for his committee than any other Senate chairman.

Even his supporters say they do not know whether his mouth runs in a higher gear than his discretion, or he simply does not care who he hurts with his barbed remarks.

With his opposition to Gatt, Mr Hollings has hurt Mr Clinton and become, in the process, the hero of a peculiar combination of right and left wing opponents who say the Gatt's new World Trade Organisation will take away US sovereignty and leave it unable to enforce its own consumer and environmental laws.

"God Bless Fritz Hollings," said Mr Patrick Buchanan, the conservative commentator who ran against former President George Bush in the 1992 presidential election. "We have 45 days to make the case for a new economics of American patriotism."

Some argue that Senator Hollings may even have done President Clinton a favour. With tough elections ahead, there are many House members who would also like to delay their vote until after the election. And some Republicans who generally favour the Gatt agreement would, nevertheless, prefer to deny Mr Clinton a legislative victory ahead of the election.

Most members, however, would rather be spared a lame-duck session of Congress, and most US allies would rather do without the frustration of yet another delay to completing the Gatt.

George Graham and Nancy Dunne

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The contrast between jet fighters which roar through the stratosphere at twice the speed of sound and nuclear submarines which creep silently through the ocean depths could hardly be more extreme.

But that is the breadth of business British Aerospace is aiming to span if it can bring to a successful conclusion the current negotiations to buy the Barrow-based submarine maker VSEL. The two companies are locked in private discussions about the price at which a friendly takeover might take place.

However, the fact that talks are taking place at all is another demonstration of the way in which the cut in global defence spending is forcing companies to consider mergers and alliances that would have been inconceivable five years ago.

The catalyst for a deal between the two companies is a battle over the contract for the next batch of nuclear hunter-killer submarines for the Royal Navy. In 18 months the Ministry of Defence will award a contract for up to five Trafalgar class submarines, worth around £2.5bn. The contract will not go to VSEL on the nod, as it has done with previous orders.

Thus far, the government has viewed nuclear submarines as a secret and vital technology that cannot be fully subject to the competitive purchasing reforms which have brought efficiency gains to other parts of the arms procurement programme. Now the cold war is over, the MoD has the confidence to demand a fixed-price bid to build the new submarines from a risk-taking prime contractor who will bear

the losses if the programme runs over budget. VSEL badly needs the order. Submarines are its main business, and if the next batch of Trafalgars goes elsewhere, the company will have little work for its vast covered Devonshire Dock Hall in Barrow.

Yet VSEL is a small company, and has found it hard to persuade the MoD that it can take the risks involved on such a large contract. To bolster its chances, the company has busbanded the £250m of cash which it has made from the Trident nuclear missile submarines over the past decade. It has also formed an alliance with the US electronics company Loral, which would provide the submarine's complex electronics, and the skills in integrating them into the boat.

However, the decline in UK defence spending means that other predators are after the Trafalgar prize. Both GEC and BAE want to bid, and both have advantages.

GEC owns the Yarrow shipyard on the Clyde where some of the Trafalgar work could be done. It has enormous cash resources to back any bid and is keen to expand further into prime contract work rather than merely supply components and sub-assemblies to BAE. BAE has no such reserves, but does have more experience than any other British company in managing large defence contracts. Bringing the millions of electronic components together and wiring them into a submarine hull - rather

Sea change in UK defence

Bernard Gray on the planned link between BAE and VSEL

BAE and VSEL: defensive strategy

	Group Turnover (£m)	Defence Turnover (£m)	Group Operating Profit (£m)	Defence Operating Profit (£m)
BAE Year to 31 Dec 1993	10,760	3,963	(237)	345
VSEL Year to 31 Mar 1994	466	317	61	48
GEC Year to 31 Mar 1994	5,761	2,749	565	252
Lockheed Year to 31 Dec 1993	8,433	7,512	436	524

like making a ship in bottle - offers similar technical and managerial challenges to those of making advanced fighters.

BAE is also keen to expand from being the prime contractor for aircraft to being the dominant defence contractor. It is already involved in the Horizon programme to produce the new generation of frigates, and its joint venture, BAESema makes ship and submarine command and control systems.

With two giants fighting over the shrinking procurement budget, VSEL is in danger of being squeezed out. It had considered an alliance with DML, the company which operates the Devonport dockyard in Plymouth. DML's work in refitting nuclear submarines is similar to the construction of the boats at Barrow, and there are many overlaps in the work.

In the event, VSEL seems to have opted for the friendly embrace of

one of the giants. Becoming part of BAE would give it the credibility it needs to become a prime contractor, while furthering BAE's ambitions in naval engineering. Such a deal would be financially advantageous for BAE, buying VSEL with shares would strengthen its balance sheet, while VSEL's large cash pile would cut BAE's debt substantially.

GEC could yet frustrate BAE's plans by counter-bidding for VSEL. It could offer hard cash for its

£2.5bn reserve which might well be more attractive than BAE's shares to VSEL's shareholders. However, GEC has looked at the submarine maker and decided not to bid, saying that it could win the Trafalgar contract without owning VSEL.

The BAE approach alters the balance of power, and GEC may reconsider. However, the MoD might then raise objections, unhappy that a single company owns two of the remaining shipyards in the UK.

If BAE wins, it could use the cash in VSEL's balance sheet to back bids for other contracts, such as the Future Large Aircraft military transporter, or to help rationalise its commercial aircraft operations. However, the real motive of the deal is industrial consolidation. Declining defence spending is forcing companies to cut overheads, and mergers are the most obvious way to eliminate costs. In the US the process is proceeding rapidly, but the political barriers to concentration in Europe mean that the process has been slower.

Outright cross-border mergers between, for example, BAE and Daimler-Benz, or BAE and DASA of Germany to produce one large military aircraft company would almost certainly be stopped by national rivalries and security concerns.

Faced with limited opportunities on the continent, UK arms companies are consolidating across business areas at home. Earlier this year GKN, the engineering company which makes the Warrior

armoured personnel carrier, bought Westland, the helicopter maker. The two are now being integrated into a single defence division with a unified management structure and marketing team.

Since merger talks between GEC and BAE broke down a year ago, the UK defence industry has polarised further into two camps. BAE is trying to extend its stranglehold of large project management and the integration of complex systems to make complete military hardware. It wants to build fast jets, transport aircraft, attack helicopters, ships and submarines and would probably have tried to buy Westland if GKN had not started with an almost unstoppable shareholding.

GEC has also been extending its stranglehold on the electronics and avionics business. In the past year, for example, it has acquired most of the remnants of Ferranti from the receivers. Both are, however, testing their bets by forming cross-border alliances. GEC with Thomson of France in sonar, BAE with Matra of France in missiles. More such deals are likely to follow and both companies are also both involved in the biggest collaborative programme of all, the Eurofighter.

The bid for VSEL is part of the first phase in European defence consolidation. The next, and larger, phase will be the decisive one with the two UK camps either merging with each other or combining with similar companies on the continent. Which route is taken will depend on whether the political reluctance to contemplate a truly European defence industry thaws faster than the opposition within BAE to a merger with its old rival.

Testing journey to the party's roots

Tony Blair, UK opposition leader, needs to prove Labour shares his policies, says Philip Stephens

Mr Tony Blair has a straightforward task next week. He must demonstrate he can command the party he was elected to lead. When he has done that, he can begin the tougher job of making Labour safe for government.

Since his leadership victory in July, he has chosen to address a wider audience than the activists gathering in Blackpool for their annual conference.

The voters of middle England have been told that here is a Labour leader they can trust. Mr Blair understands economic realities; he is no friend of jobs or criminals; he cares more about discipline than political correctness in the classroom.

The prospectus has been an attractive one. The unusually quiet (occasionally unilluminating) media have applauded his youthful self-confidence. The Conservatives have been wrong-footed, unsure whether to attack him directly or to concentrate their fire on the unreconstructed socialists lurking in the shadows.

But the new leader has to show that a message tailored to the aspirant classes of southern England has the consent - let alone the enthusiasm - of his party's activists.

After 15 years in the political wilderness, his leadership has rid Labour of the self-indulgent extremism which ensured the electoral defeats of the 1980s. At its roots, though, many prefer still the party's heart to its head. The activists cling to the comfortable certainties of post-war Labourism.

An inviolate welfare state, a tax system that redistributes wealth and a privileged place in society for the unions head the list of cherished icons.

Mr Blair comes as a stranger to the culture of activism. Despite his overwhelming leadership victory over Mr John Prescott and Mrs Margaret Beckett, he is better known in

the media than within his own party.

His spell after the 1992 general election as home affairs spokesman gave him a profile as a politician who preferred the instincts of the respectable working class to those of the liberal intelligentsia in shaping his approach to crime.

But unlike Mr Neil Kinnock or Mr John Smith, he has never been a party insider, a politician at home in the smoke-filled rooms in which Labour traditionally has done its business.

Even among many Labour MPs the unclimbable Mr Blair is an unknown quantity. More than one shadow spokesman has sought the advice of journalists at Westminster on how they should approach the new leader.

Some on the far left are already asking the familiar language of "betrayal". There are mutterings higher up in the party about the leader's habit of reinterpreting in interviews long-cherished policies.

The traditionalists in the unions will be looking for the moment to reassert their influence. During the conference debate on the economy they will test his commitment to a minimum wage.

Leadership pledges to spend only what the nation can afford do not win cheers at Labour conferences.

Mr Blair has sought to anticipate the critics. His strategy has been to use the leadership election to seize as much ground as possible for the modernising cause. In spite of their different backgrounds and one or two private differences, Mr Prescott has proved a loyal deputy.

So the Labour leader hijacked a routine press conference on education policy to emphasise his sympathies lay with the concerns of parents rather than with the narrow interests of the teaching unions.

He also shunted Mr Larry Whitty out of the post of gen-

eral secretary at Labour's Warley Road headquarters. Mr Whitty was too close to the old, traditionalist guard.

Then there were the carefully scripted home truths delivered to the Trades Union Congress in Blackpool. His declaration that there would be no favours for the unions was followed by a shift in policy on Ireland to tilt the party away from its traditional attachment to the nationalist cause.

This week was chosen to stake out his territory on the economy. Statist solutions were no longer relevant. Nor were the old divisions between private and public sectors. A Labour government would not seek to spend its way to prosperity.

Crucially, the party's social ambitions could not be met by pushing up taxes. A better health service and help for the poor could be delivered only through economic growth. Mr Gordon Brown, the shadow chancellor, reinforced the message with an exhaustive review of the constraints imposed by the realities of international competition and technological change.

In some ways the symbolism was more important than the substance. Mr Blair is not will-

ing yet to talk in detail about tax and spending. Mr Kinnock and Mr Smith before him had already jettisoned much of the ideological baggage. But the terms of Mr Blair's enthusiastic embrace of the market economy made it sound like he meant it.

So the party will discover in Blackpool that it has ditched 60 years of attachment to the fatally seductive vision of a socialist paradise created by

pulling a few economic levers or nationalising half a dozen industries. Mr Blair has to start putting something in its place.

The Labour leader, we are told, has some answers. His speech in the Empress Ballroom on Tuesday afternoon, the most important of his political life, will start to fill the vacuum.

It will offer a programme to modernise industry and create a competitive economy; and a nation at work not on benefit. An education and training revolution and a willing partnership between public and private sectors rather than old-fashioned demand management will provide the instrument of change.

The promise of economic competence and social improvement will be accompanied by Mr Blair's new emphasis on social responsibility. A commitment to the notion of society involves an equivalent determination to stamp out antisocial behaviour. It also



means higher standards in government and the replacement of quangos with accountable democracy.

He calls this ethical socialism. A more accurate description is social democracy. The basic judgment (shared incidentally by many senior Conservatives) is that the election will be won by the party which promises opportunity and security in a turbulent, unpredictable world.

The overwhelming advantage that Mr Blair has over his predecessors is that his ideas match his image. He looks and sounds modern, reasonable, intelligent. This week's opinion polls have underlined the strength of his position - and the potential market for his message.

But the language of principles is not enough. Mr Blair has to offer substance if he is to provide definition to the sometimes vague rhetoric. He must convince us also that his party's policies are indistinguishable from his own.

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Image is everything," says Andre Agassi, battling tennis balls off mountains in a TV commercial for a Japanese camera. It is a contemporary truism with which this week the Walt Disney Company, creator of images beyond number and phenomenally conscious of its own, could only ruefully agree - after pulling the plug on its latest grand project.

In Washington, where most business is politics, there has not been a local story for years quite like Disney's aborted history theme park next to a civil war battlefield 35 miles outside the nation's capital. In comparison, the ups and downs of presidents, senators, governors and mayors have seemed almost trivial.

The park has pitted the elite against the *hoi polloi*, the horse set against the bus rider, environmentalists against advocates of economic growth, historians against historians, even government against government.

It began last November when Disney announced it had taken an option to buy 3,000 acres of land just outside the small town of Haymarket in Prince William County, Virginia, close to the killing fields of Manassas, as the site for a "historic theme park". In January, it fleshed out the project, envisaging 2,500 houses, 1,300 hotel rooms, and nearly 2m square feet of retail space, to cater for 5m-6m visitors a year when it opened in 1998. The price tag would be about \$650m for the park, and \$1bn for everything.

Disney wanted state and county financial help - and got it. George Allen, the newly installed Republican governor of Virginia, saw the project as the linchpin of his pro-business administration. In March, he rammed through the state legislature \$165m in grants. A week ago, \$10m in new road spending was authorised by county and state officials.

The federal government, however, was looking increasingly askance at issues under its jurisdiction, including air and water quality and the widening of interstate roads. Benjamin Forgey, the Washington Post's influential architectural critic, also kept chipping in with pungent articles on the dangers of urban sprawl. But Disney still believed it would win the bureaucratic wars.

It was the image war that

Washington's elite has beaten the hoi polloi and Disney, says Jurek Martin

History is not bunk

failed it. Haymarket is a modest town, near Highway 66. But it is a gateway to the rolling Virginia Piedmont valleys that contain some of the finest horse country estates in the east - filled with weekend retreats for Washington's powerful.

These include the late Jacqueline Kennedy Onassis, Jack Kent Cooke, who owns the Washington Redskins football team, Pamela Harriman, US ambassador to France, Senator John Warner of Virginia, once married to Elizabeth Taylor, Alice Marriott of the hotel family, the Graham family of the Washington Post, and media glitterati by the dozen.

Their mood was exquisitely captured in a Washington Post article in April headlined: "Eeek! A Mouse! Step on it!" But these influential and sophisticated people - some of whom listened to the populist talk shows favouring the Disney plan - knew they needed better arguments than the preservation of their comfortable lifestyles from hordes of Coke-sipping, shorts-wearing tourists in buses and rental cars.

They got them from the guardians of America's heritage. A Who's Who of US historians, many hardened by the bitter battles of academe, leapt into the fray. The most prominent included David McCullough (Harry Truman and the Panama Canal and president of the Society of American Historians), Arthur Schlesinger Jr (TRB authority on presidents), James McPherson, C Vann Woodward and Shelby Foote (all doyens of the civil war and the south).

Disney mustered a couple of

tame historians of its own, but they were outnumbered and outclassed. They were also hampered by the fact that it was never exactly clear how the company intended to depict "history". In its theme park, beyond the idea of a "water ride" in the manner of Lewis and Clark, the early American explorers.

The anti-Disney historians, calling themselves Project Historic America, focused their fire on two fronts. For a start, they could not see the point of locating the project within an hour's drive of 16 civil war battlefields, 13 historic towns and 17 historic districts, most of which have indeed been lovingly preserved, including Manassas itself.

The second string to their bow might have been borrowed from the French, always ranting on about American cultural imperialism. As David McCullough put it: "We have so little left that is authentic and real. To replace what we have with plastic, contrived history, mechanical history, is almost sacrilege."

When Congress finally got into the act with hearings in June, this was the message they heard - that US history was too important to be left to Disney to reinterpret. Disney executives, Governor Allen and county officials all weighed in with counter-arguments, but the public relations war among the opinion makers was one-sided.

Even so, the idea that Disney gave up simply to avoid the disastrous image of historians and socialists lying before its tractors stretches credulity - even for a company known above all for its lovable Mouse, Duck, Snow White and Lion King.

However the battle to overcome such opposition is not what a stretched Disney management, weakened by death, illness and resignation, needs at present. With attendance flat or down at all of its theme parks except Tokyo (where the Japanese have no problems with American history), but its animated film division on a huge roll, the company is casting around for new directions - most likely into commercial television.

So it has folded its Haymarket tent. Local businessmen said yesterday they were sad, but in the Piedmont valleys the white wine spritzers will be flowing freely this weekend.

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Elderly's mortgage worries

from Mr A B Craven.

The survey by BMRB for Building Societies Association referred to by Alison in "Societies hang on to mortgage" (September 22) is accurate in its conclusions so how building societies would appear to the public, feelings of one section. It ignores the age pension to 15,000 old mortgagors who were given release 50% as equity release 1990s. These late pensioners then up by 10% in 1993. Income reports by the glowing on how society would rise over values.

The opinions of financial advisers and building societies have proved disastrous and have left the majority of the elderly concerned with mortgage debts rolling up at a horrendous rate.

The attitude to these problems by the building societies can only be described as callous and intransigent. When the Home Income Plan Support Group raised the matter with the BSA, its deputy director-general responded by denying any liability on the part of the building societies. In time he may well prove to be in error.

A B Craven, Home Income Plan Support Group, White Cottage, Elstow, Burton Pidsen, Hull HU12 9BP

Nothing about this saga

From Mr Paul Bock. Sir, Your reference to a reviewer, Malcolm Smith, is misguided in its description of the saga which Brian Rodger has been for 10 years (Book 11). In fact, Saga magazine

Imp...

allow banks to use internal risk models to allocate capital for trading could lessen the burden by changing the "style and quality" of supervision. He suggested costs could also be reduced by managers and supervisors jointly design-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Competition best way to harness talent

From Mr Francis Duffy.

Sir, I am not surprised Colin Amery did not like the results of the architectural competitions for the South Bank and Cardiff Bay Opera House (Architecture: "The tyranny of the few", September 26). Everyone to his taste. Not everyone likes the results of the architectural competitions in which Amery has sat on the jury. No one would argue that those

results brought the competitions system into disrepute. I cannot comment on the lay jurors that Amery has dealt with, but I have yet to come across a group of lay judges who quietly acquiesced in the views of overpoweringly articulate architects.

Architectural competitions have been designed to be the very opposite of "jobs for the boys". On the day Amery's

piece appeared, the RIBA-run anonymous competition for the conversion of Baltic Mills in Gateshead was won by a Dominic Williams, an "unknown" architect, the 29-year-old antithesis of an old boy. This RIBA competition gave an architect, too young to be "fashionable" in Amery's sense, the opportunity to win an important commission. Gateshead has set the stan-

dard for lottery-funded projects. I can think of no better way than properly run architectural competitions for harnessing the broadest range of architectural talent to meet a variety of emerging needs.

Francis Duffy, president, Royal Institute of British Architects, 66 Portland Place, London W1N 4AD

Status of Lloyd's agents as 'third party' unexplained

From Mr J Hamilton Stuart.

Sir, The circular which has just been sent by Lloyd's debt collectors to some 14,000 Names contains the truly astonishing statement that "...any claim you may have against third parties (such as your member's and other agents) does not affect your liability to make payments to Lloyd's immediately".

So our member's and managing agents, the people who have entrusted their savings, are as a Name nothing less than never has a way I, along with

tens of thousands of other unfortunate Names, would have signed up.

What more sinister agency can we now expect from a society which spends money to try to prove to the courts that they have no liability to claim Names? Lloyd's once again proved itself of no use and the sooner Lloyd's is made aware of its first duty is to its Names, the better.

J Hamilton Stuart, 12 Bingham Avenue, Dorset B1 8NE

Following European workforces expertise provides link

From Mr J Betts.

Sir, With reference to the note "A rash move" (Observer, September 27), the link between Peardou and Lar broke's Vernons is clearly a man as experienced as Philip Jarrold in mopping up

operations is eminently qualified to manage clean sweeps, while avoiding soaking the rich.

J Betts, 59 Marlborough Road, Shipley, West Yorkshire BD18 3NX

COMPANY NEWS: UK

Warning that margins will continue to slide follows losses of £7m

Hi-Tec Sports shares dive 33p

By Peter Pearce

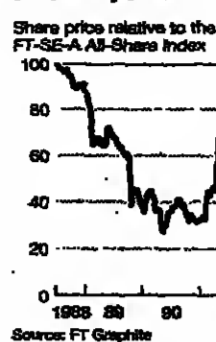
Shares in Hi-Tec Sports tumbled by 33p to 45p yesterday as the sports shoe and leisure wear company reported a fall in headline losses in the six months to July 31 and suggested that margins would continue to slide until at least the spring of 1995.

In a period of significant changes within the group, pre-tax profits of £776,000 were turned into losses of £7.1m after exceptional charges of £5.9m and interest payable £40,000 higher at £1.5m.

The restructuring was now over, said Mr Frank van Wezel, chairman and 53.19 per cent shareholder, and the loss-making activities had been "dealt with".

Apart from the closure of the European subsidiaries, the most important event has been the disposal of 60 per cent of Cofex, the Dutch company which makes fashion jackets under the Bad Boys brand name. In the period it incurred unchanged trading losses of £1.95m, and accounted for £202,000 of interest charges and £5.1m in respect of goodwill

Hi-Tec Sports



Source: FT Graphicals

Previously written off.

Mr van Wezel said that the losses this time masked underlying growth in the group's core rugged outdoor footwear and were different from the recessionary losses of two years ago.

Group turnover edged ahead to £60.4m (£59.4m), including £3.73m from discontinued operations. On continuing activities, margins were down about 2 per cent across the group. Stripping out Cofex, pre-tax profits fell to £1m (£2.9m) on turnover up at

£56.7m (£53.9m). Mr Peter Butler said that having never been properly monitored, group stock was now being managed at lower levels and that these stock reductions would continue. Stock provisions had been raised by £500,000. Discounting seasonal swings, debt had been reduced by £5.1m to £21.8m.

boots among urban youth disguised a 22 per cent rise in sales of the core hiking boots. There was also a hiatus when the group repositioned its products and withdrew them from discount retailers. Some £4m of sales were lost.

In the UK and Ireland profits eased by £100,000 to £700,000 on sales up 9 per cent to £21.8m. Sales of brown boots rose from 12 to 19 per cent of the total. South Africa did well since the elections, accounting for some £5m of the rest of the world's £2.2m (£6.8m) total. Profits were £500,000 (£700,000).

The group has changed its auditor from KPMG Peat Marwick to Touche Ross. It has also changed its year-end from January 31, "in the middle of our delivery season" to April 30.

The interim dividend is 1.9p (1.25p), increased for the 15-month period. The directors are taking up the scrip alternative, so the cash element is covered 1.4 times, even though losses were 15.6p (earnings 1.4p) per share. Forecasts for the year to January 31 have fallen to £2m or earnings of 3p, for a prospective multiple of 15.

Chairman of NFC to retire at end of year

By Simon Davies

Just 10 weeks after the surprise departure of its chief executive, NFC Holdings, the transport group, has announced that its chairman, Mr James Watson, is to retire at the end of the year.

Mr Watson had increased his executive duties at the end of August, following the sudden resignation of Mr Peter Sherlock. However, he said he would not delay his departure if a chief executive could not be found before December 19.

Mr Watson is to be replaced by Sir Christopher Bland, who made an estimated £5m from selling his share options in LWT, of which he was chairman after it was acquired by Granada in February.

Mr Watson will be 60 at the end of the year, and he told non-executive directors of his plans to retire last March.

Mr Watson said he wanted his replacement to play a key role in choosing the new chief executive, and was keen to start as soon as possible. He will work three days a week.

NFC's shares rose 5p to 181p yesterday, as Sir Christopher was seen as likely to improve the company's image in the City, which had been shaken by a string of disappointing results, and concerns over strategic direction.

Mr Sherlock was the first outsider to be brought into NFC at top management level. He instigated a strategic restructuring, the two largest subsidiaries, and focusing on the group's higher value added businesses.

However, investors were disappointed by the amount of time it was taking for the improvements to be translated into profits.

Mr Watson was key to the appointment of Mr Sherlock, who fought off internal support for the candidacy of Mr Robbie Burns, a hands-on manager and director who had successfully expanded NFC's logistics operations.

Mr Burns resigned earlier this year, but he reversed his decision after Mr Sherlock's announcement. Analysts suggested that Mr Watson's retirement might smooth the way for the appointment of Mr Burns as chief executive.

Mr Watson has worked with NFC since 1988, presiding over a dramatic transformation of the company from a paternalistic Government logistics group, to a substantial listed company.

He said he planned to focus on other business interests, which include the chairmanship of Watson & Philip, the Scottish retailer, and directorships of National Express, Henlys Group and Gartmore.

All-round growth boosts Chesterton

By Simon London, Property Correspondent

Chesterton International, the property agency and consultancy which made its Stock Exchange debut in June, has reported an increase in full year pre-tax profits from £3.8m to £5.2m, beating its forecast at flotation.

Turnover increased to £55.8m (£48.8m) reflecting growth in both fee-earning advisory business and agency commissions. Agency income, which depends heavily on the level of trading activity in the property market, accounted for 31 per cent of turnover, up from 28 per cent.

Mr Giles Ballantine, chief executive, said that all regions of the UK showed strong growth. The company's offices in the North of England and Scotland turned in especially strong performances, with turnover rising to £8.4m (£5m). Revenue from London offices grew by 12 per cent to £23.6m, about half of UK turnover.

Despite its position as one of the largest UK agents, Chesterton estimates that its domestic market share is only 2-3 per cent. During the year it acquired Consolidated FPM, the facilities management company and Conroy Hunter, the Scottish property agency.

Chesterton also formed a joint venture with Blunsdell, the US property consultancy, to handle facilities management projects for multinational clients.

Turnover in property management rose from £9.5m to £10.75m; professional advisory work, including rating and valuations, from £15.5m to £16.4m and specialist services from £4.5m to £5.2m. Overseas turnover was £4m, up from £2.9m.

Dividends per share were 7.1p, against 5.5p.

Gestetner loses £6.1m on interest rate swaps

By Simon Davies

Shares in Gestetner, the office equipment company, fell 23p to 128p yesterday, after it announced it had made a £6.1m loss on interest rate swaps, following the upswing in US and UK interest rates this year.

Mr Stephen King, finance director, said the board had been aware of a small potential liability when it announced interim results in July, but only recently discovered the full extent of its exposure. The positions have now been closed.

Gestetner is re-evaluating its treasury operations and improving controls and reporting procedures, while Price Waterhouse is undertaking a full investigation of the incident.

No board authorisation was

required for the highly geared transaction which involved a floating rate to fixed interest rate swap on £20m and £30m (£13m), and senior management appears to have been slow to react.

One analyst was shocked the new management had extended Gestetner's reputation for being accident prone. Forecasts for full year profits have been reduced to about £15m.

Mr King said that trading continued to be in line with expectations, adding: "We believe we are heading in the right direction, and this is just a one-off aberration".

The group has other treasury swap positions, but not of the same geared nature. In 1993, the company made £4.2m of profits from closing interest rate swaps.

Inchcape, the international services and marketing group, took a 15 per cent stake in May 1993, and encouraged a number of management changes, and a cost cutting programme which resulted in £48m of restructuring costs. It recently lapsed its option to increase the holding to 25 per cent.

The management was seen to have put the core office and photographic equipment distribution business back on a recovery track.

Inchcape's decision not to exercise its option was based on concern over jeopardising its relationship with Ricoh, the Japanese photocopying company.

Inchcape paid about 129p a share. The company yesterday reiterated its stance that it was happy with the investment.

Higher sales to US boost Renishaw

By David Blackwell

Higher sales to its main market in the US helped Renishaw, the specialist measuring equipment group that exports 91 per cent of its output, to lift annual profits by 15 per cent.

The shares closed ahead 11p at 288p yesterday.

Pre-tax profits in the year to end June 30 rose from £7.1m to £8.2m on total sales ahead from £48m to £50.9m. Operating profits were ahead from £4.9m to £7.1m.

Sales in the US grew by almost 15 per cent from £17.2m to £19.7m. Mr Ben Taylor, assistant chief executive, said that the US economy was improving enough to bring benefits.

In addition, the group had been successful in selling so-called retrofit products - equipment that can be fitted to improve existing machining centres' control systems.

In contrast, sales to Germany fell from £8.44m to £6.55m, while sales in Japan eased from £6.2m to £5.8m. This was offset by improving sales to other overseas countries (up from £4.7m to £6m) as the group developed new markets in Korea, Taiwan, India, Malaysia and Hong Kong.

It also opened offices in Singapore and Beijing.

The group, which successfully brought a new £1.5m machining facility on stream last April, spent £3.5m on

research and development and £2.5m on associated engineering. It intends to maintain expenditure at the same levels this year, and will be launching further new products.

Interest receivable fell from £2.2m to £1.8m because of lower rates. Net cash rose from £19.4m to £22.2m.

Earnings per share rose from 10.3p to 12p. A final dividend of 4.4p (4p) is proposed, taking the total for the year to 6.5p (6.5p).

The group is also making a 1-for-10 scrip issue.

COMMENT A buoyant final quarter brought Renishaw in ahead of expectations. With its high

operational gearing, it does not take much of an increase in turnover to move profits, and substantial improvements appear in sight. Its new scanning devices and the Raman imaging microscopes are selling well, and the group is keeping the pressure up on both new products and the search for new markets. At the same time costs have been tightly controlled, and it is generating cash. Interest rates have also moved in its favour. Like-for-like sales in Germany and Japan are up in the first months of this year, indicating further benefits to come. However, this is reflected in a prospective multiple of 31 if profits hit £9.5m this year.

Buying a spray to cut the mustard

Roderick Oram on why Reckitt & Colman is selling its famous brand

What kind of company - and chief executive - can sell not one but both its birthrights within six months?

Reckitt & Colman is the company. Mr Vernon Sankey, the chief executive and Reckitt's Blue and Colman's Mustard are the birthrights with roots going back 180 years. No products could be more synonymous with their maker.

Turning its back on clothes whiteners and English mustard, it aims to become "one of the leading household products groups in the world" selling the likes of air fresheners, laundry cleaners and disinfectants.

To that end it agreed to pay £1.55m (£960k) this week for L&F Household, a US maker of such mundane products, and put Colman's up for sale to help pay for it.

The news came out of the blue for Norwich, the East Anglian town which has been home to Colman's since Jeremiah Colman started milling mustard near there in 1814.

Five generations later, the company is chaired by Sir Michael Colman, the last employee from the family.

"There is a great deal of surprise and shock," one citizen said. "People have found it difficult to come to terms with the sale and what might happen to the 750 jobs here."

Because Colman's is a bigger business than Blue and so closely identified with Norwich, the psychological impact was far greater than Hull suffered in March. The Humber-side city where Isaac Reckitt built his enterprise from 1840 was then told that the business had been sold to Holliday

Chemical. The Colman's sale was also harder for the company.

"Emotionally it was very, very difficult," Mr Sankey says, leaving up from a chair in his London office and rushing over to the largest picture on the wall. "That was my office. That was my car," he points out on an aerial photograph of the Norwich operation. He began his Reckitt career there, aged 22, in 1971 and returned in 1985 to become managing director.

"How could you sell Colman's? We lived there, my two oldest children said to me this week. But within a few minutes they understood the strategy perfectly," Mr Sankey says. Apparently a highly persuasive communicator, he had also convinced Sir Michael of the merits. Colman's would be better off with a food company rather than a seller of household products, the chairman said earlier in the week.

It was all part of the company's evolution. Mr Sankey says. Reckitt merged with Colman in 1938 although they had been pooling their overseas activities from 1913. The group continued to function in largely separate parts until 1970. Then, working to a blueprint from McKinsey, the management consultants, it adopted a typical multinational's structure.

More importantly, the first historic roots were torn up; the headquarters were moved from Hull to the west London home of Chiswick Products, of Cherry Blossom shoe polish and Mansion floor polish fame, which joined the group in 1984.



Vernon Sankey: emotionally it was very very difficult

The global strategy is long gone, its art deco office developed into a coolly modern block in the 1980s and the northern hemisphere chunk of the shoe polish business sold in 1981.

Diversification gripped the group in the mid-1970s as it picked up makers of beer kits in the UK and needlework kits in the US, wine makers in Australia and jewellery makers in New Zealand to compensate for slow growth in its core markets.

By 1980, however, Reckitt had decided it could grow the original businesses if it focused on them. Divestments followed rapidly.

Three big acquisitions in the past 10 years - Airwick, Boyle Midway and L&F for some

£3.5m - have pushed household products, toiletries and over-the-counter drugs to the fore and food to the rear.

What was Mr Sankey's role in all this as a corporate strategist in the 1970s, a line manager in the UK, the Continent and the US in the 1980s and chief executive since January 1992?

"Just happen to be the person at the front. Focusing on me would not help in terms of the culture we're trying to develop to engage the hearts and minds of the people in the company."

Team work is the ethos, today's equivalent of the Victorian Reckitts and Colmans. Everybody goes through "personal development reviews". "We give mutual help on technical and personal shortcomings," Mr Sankey says.

Does he go through the process? "Too right! Too right," he says.

According to his colleagues he is trying to curb his inclination to chip in his thoughts first and to make excessive demands on people. On the plus side he is the modern team leader: hugely energetic, very encouraging, quick to learn and analyse.

As yet, the City knows little of this side of Mr Sankey and Reckitt. It is likely the strategy but thinks the company is conservative and faces a stiff management challenge to meet its global ambitions.

The company's shares fell sharply on news of the L&F acquisition.

Ash & Lacy advances 29%

An all-round divisional improvement at Ash & Lacy together with higher margins enabled the engineering group to raise pre-tax profits by 29 per cent from £1.57m to £2.02m in the half year to July 1.

Turnover rose by 7 per cent to £30.6m (£28.7m). There was a

strong advance in UK galvanizing and non-ferrous metals, but manufacturing and French galvanizing experienced further reduced activity.

Earnings per share came to 5.2p (£2.7p) while the interim dividend has been maintained at 2.5p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Consolidated dividend	Total for year	Total for year
Ash & Lacy	2.5	Nov 19	2.5	5.4	5.4
Converting	7	Nov 24	7	22	22
Engineering	0.9	Jan 23	0.5	1.2	1.2
Finance & Insurance	2.6	Dec 30	1.4	110	110
Hughes	1.2	Nov 19	1.2	2.4	2.4
Manufacturing	1.2	Nov 19	1.2	2.4	2.4
Non-ferrous	4.4	Nov 19	4.4	4.4	4.4
Waterman	0.5	Nov 19	0.5	0.5	0.5

Dividends shown increased shown 50% per share net except where otherwise stated. For 15-month period.

Union Square rights and reconstruction

By Tim Burt

Union Square, the property investment and development group which suffered heavily in the commercial property slump of the early 1990s, yesterday announced a rights issue and capital reconstruction.

In a statement issued after the market closed, the group said it hoped to raise £9.8m from a 1-for-1 rights issue at 5p per share. The shares closed unchanged at 3p.

The move is designed to reduce the group's reliance on Thompson Investments, its ultimate holding company, which last year advanced £400,000 of £10.8m to cover its debts.

man of Union Square and managing director of Thompson Investments, said the rights issue would increase shareholders' funds to about £10.5m and would clear the way for a capital reconstruction.

"Thompson Investments will swap their debt for equity, leaving it with a 79 per cent stake," he added.

In the year to March 31, the property company made pre-tax profits of £22,000 (£28,000) on turnover of £3.31m (£3.31m), including £1.96m (£1.96m) from property management. Although the group's 1990, Mr Thompson, also a director of Queens Park Rangers football club, announced a resumption of payments "in a year or two".

TJ Hughes jumps to £333,000

TJ Hughes, the property-based department store, nearly tripled its profits from £115,000 to £333,000 in the half year ended last September. The result was a "one-off" increase of a rising from £115,000 to £333,000.

Turnover rose 5 per cent to £21.1m, with over 6 million sales. The company was particularly strong in early spring when it launched a new range of clothing.

TJ Hughes has a long history of success. It was founded in 1947 and has been a leading department store in the Midlands for over 40 years. The company's success is due to its focus on quality and customer service.

Off-field activities help Man United to double

By Tim Surt

Manchester United yesterday announced a sharp increase in full year profits as the Premiership champions benefited from increasingly lucrative non-footballing activities.

The FA Cup holders saw pre-tax profits more than double to £10.78m (£4.2m) as the contribution from gate receipts, its staple income, was overtaken by off-field businesses such as merchandising, sponsorship and catering.

Those activities helped lift profits before transfer fees from £8.19m to £11.45m, on turnover ahead 74 per cent at £43.5m (£25.2m) in the year to July 31.

Although the figures were flattered by relatively low spending on new players and capacity constraints last year, Mr Martin Edwards, chief executive, said the improvement had persuaded the club to draw up plans to expand Old Trafford by more than 22 per cent. The club wants to increase its stadium capacity to about 64,000, enabling it to exploit excess demand for match tickets.

While negotiating possible land purchases around the stadium, Mr Edwards also signalled an increasing drive to tap merchandise sales, which almost trebled from £5m to £12.2m.

"Most of the growth has come from wholesaling," he added. "We've signed an overseas marketing deal in Japan for our products and other countries are lining up."

The balance sheet, meanwhile, was strengthened by a £2.75m increase in the transfer



Martin Edwards (left) and Robin Lauder: drawing up plans to expand Old Trafford stadium capacity by over 22% to 64,000

fee reserve to £4m, the facility which allows the club to set aside a proportion of profits to cover future player acquisitions and a possible fall in gate receipts should the team falter in league and cup competitions.

Earnings per share rose from 24.3p to 51.1p before switching funds to the transfer reserve, and 38.5p (33.5p) after. The final dividend is lifted to 14.5p (13.5p) for a total of 21p (19.5p).

Mr Robin Lauder, finance director, also announced a 4-for-1 share split to improve the marketability of the shares, which rose 9p to 69p.

COMMENT
The Reds appear to have scored a hat-trick with on-field

goals, retail sales and rampant ticket demand. Increased sponsorship and a possible £7m windfall from the European Cup makes the prospects look rosy. But the figures are untypical. They have been distorted by smaller crowds in 1993, a year when the club spent £4m on players. To ensure success in Europe, the club will have to spend more on English players - denying future profits. Payments to such players last year pushed staff costs up to £11.1m (£7.59m), a figure likely to increase. Profits this year, therefore, could fall to around £7.5m. On a forward multiple of 16.2, the shares are a must only for long-term investors and diehard fans.

NMB sold to Bank of England for nominal amount

By Alison Smith

The short and unhappy life of National Mortgage Bank as a subsidiary of National Home Loans ended yesterday when its parent announced that it was being sold to the Bank of England for a nominal sum.

In February 1992, NHB said it had decided to run down the business and would make no further investment in it. Mr Ian Hay Davison was installed as chairman to manage the winding down of the bank.

Mr Jonathan Perry, NHB executive chairman, said NHB had already written off all its investment in NMB and the announcement merely transferred the ownership.

NMB was set up in 1989 and dealt in commercial mortgages, leasing and second mortgage loans. It also offered current account banking facilities and had a full banking licence.

By 1991, however, it was suffering in the aftermath of the collapse of the Bank of Credit and Commerce International, as local authorities began pulling deposits out of smaller banks. NMB's accounts show that institutions other than banks - mostly local councils - withdrew deposits totalling £292m in 1991, more than half its total deposits.

The withdrawals led to a group of 10 banks agreeing to put up a £200m cash lifeline for NHB, supported by an indemnity from the Bank of England. The arrangement was extended and increased in March 1992.

The Bank of England's annual reports show that provisions for support operations in 1991-92, mainly in respect of NMB, totalled £115m at end-February 1993, falling to £105m at the end of February this year. The announcement merely changes the form rather than the substance of the Bank's support.

NHB's core business is providing mortgages for residential property. It returned to new lending only four months ago through its Home Loans Direct subsidiary.

BFI bid impossible to rubbish

Attwoods still insists the price is too low, says Peggy Hollinger

Even Mr Ken Foreman, chief executive of Attwoods, cannot fault the logic that has prompted a hostile £364m bid for his waste services company.

Attwoods makes a sound fit with Browning-Ferris Industries, the US company valued at \$6m which is offering 100p a share in cash. "You cannot argue with it from their point of view," Mr Foreman says. "But you can point out it is worth a lot more than they are paying."

BFI disagrees, of course. It says it has factored in the benefits of synergies in the US and a premium to what it believes is the true trading level.

BFI bases its offer on two main arguments: price and industry dynamics. On the first issue, it is convinced that Attwoods has been inflated by bid speculation following management changes at Laidlaw of Canada, its largest shareholder with 28.8 per cent of the ordinary shares and 73 per cent of the preference stock.

BFI also argues that the shares have been kept artificially high by a belief that Laidlaw would not take a further writedown on its stake. In 1991, Laidlaw halved the carrying value of its original \$900m investment to \$10.25 per American Depositary Receipt - equivalent to five ordinary shares. Yet Laidlaw has agreed to sell its ordinary shares to BFI at \$8.50 per ADR, and its preference at 85p, even if a second bidder enters with a higher offer.

Attwoods' shares did rise sharply in the months after the arrival of Mr Jim Bullock as Laidlaw's chief executive. However, at about the same time, the group announced the sale of its loss-making recycling business, Mindis, and institu-

tional investors began buying in earnest. But the gains were wiped out by March soon after the Attwoods board met to consider second-quarter results that would show disappointing performance in Germany.

Attwoods argues that, contrary to BFI's claims, Laidlaw's intentions to sell depressed the shares when 1995 recovery potential should have enhanced them.

The fact that Laidlaw agreed to take 100p, the closing price the day before the offer, simply reflects the pressures on one shareholder, Attwoods argues. This has no relevance to what others should be demanding of their investment. Outsiders are divided over whom to believe. Most UK analysts think the offer is opportunistic. Industry insiders and US analysts, however, tend to agree with BFI's assessment of an inflated share price. "Absolutely. There is no doubt that they were buoyed by bid speculation," said one waste executive.

BFI's second, and more convincing, argument is based on industry dynamics, largely in the US. It claims Attwoods could be severely handicapped in an industry demanding higher levels of investment and more sophisticated solutions to waste disposal.

"The market in the US is responding to public concerns about the environment," BFI says. "They want their waste managed in different ways."

To return real earnings growth in the US, where Attwoods earns more than three-quarters of its profits, BFI argues companies must do everything from collecting to disposing of waste, or recycling it for eventual resale. Yet



Ken Foreman of Attwoods can't fault BFI's logic

Attwoods has limited itself largely to collection in the US, which is lower margin.

Regulation is also forcing companies to adopt an increasingly integrated approach. In California, for example, legislation demands that 50 per cent of waste which is collected must be recycled.

Yet Attwoods last year sold its only recycling business at a huge £31m loss, just before the prices of recycled materials began to firm.

BFI says Attwoods' strategy has left it depending on rivals to dispose of waste. That was fine when landfill prices were falling, but now they too have begun to stabilise, says BFI.

Furthermore, the increasingly competitive nature of municipal contracts, on which Attwoods relies heavily in both its US markets, mean it will face price pressure in its everyday business.

Many of BFI's arguments about trends in the US waste industry are supported by analysts and rivals. Mr Hugh Holman of Alex Brown, a leading US waste analyst, says "integrating collection and disposal operations provides the best opportunity for stable margins". WMC Technologies, the world's biggest waste group, has also been pursuing a policy of integrated services.

Yet BFI has, remarkably, not broadcast a more immediate bonus from the acquisition of Attwoods. The target's business would give a nice boost to BFI's own solid waste collection operation, expected to return flat profits this year.

While acknowledging that a takeover makes sense strategically, Attwoods dismisses as rubbish BFI's claims that it would create an integrated company in its largest market, Florida. BFI does not own landfills there, while Attwoods has three. Yet BFI does have recycling operations there.

Attwoods also dismisses BFI's attacks on its recent performance as unjustified. All waste companies have suffered earnings declines and write-offs, Mr Foreman claims. BFI itself, he says, has had exceptional charges of \$793m in the last five years and its credit rating is under review.

Finally, Attwoods will also give BFI a significant boost in the recovering US market, where it has both collection and landfill interests.

All this means that any offer, hostile or otherwise, deserves a premium, Attwoods says. Which brings investors neatly back to the issue of price. As Mr Foreman has admitted, Attwoods will be hard-pressed to discredit BFI's strategic arguments.

Fortnum & Mason up 15%

Fortnum & Mason, the department store company 89.3 per cent owned by Wittington Investments, reported that the improvement seen in the first six months continued in the second half of the year to July 9 resulting in record pre-tax profits of £2.31m.

That was a 15 per cent increase on the previous £2.01m. Turnover was up 12 per cent from £24.7m to £27.6m

with exports up by 49 per cent. Mr Gerry Weston, chairman, said that present trading had been affected by the rail strikes and the hot weather in the first few weeks of this year but exports continued to be buoyant.

Earnings per share were 368p (311p) and the second interim dividend is raised to 24p making a total for the year of 110p (100p).

£3m plant hire purchase by Allen

Allen, the engineering, building and property group, is expanding its plant hire activities with the £3m acquisition of Kendrick Hire, the UK's largest privately owned tool hire company.

The consideration will be satisfied by the issue of 1.35m shares and £900,000 cash. Kendrick reported pre-tax profits of £205,000 on turnover of £7.1m for the March 31.

Inspec pays \$17.3m for US foam maker

By Tim Burt

Inspec Group, the specialty chemicals company which came to the market earlier this year, yesterday announced plans to expand in North America with the \$17.3m (£11m) acquisition of Imitech, the US foam manufacturer.

The deal, the first since

Inspec's \$49.5m flotation in March, will be funded from cash reserves and new borrowings totalling \$17.5m.

"It will increase turnover by about 14 per cent and boost the level of earnings," said Mr Jim Ratcliffe, managing director. Although the acquisition will push gearing beyond 100 per cent on net borrowings of

£18m, Mr Ratcliffe said strong cash generation would ensure interest cover of at least 12 times.

Imitech, a subsidiary of Albemarle, the US chemicals business, claims to be the only global producer of polyimide foam, used mostly in insulating naval vessels and aircraft fuselages.

In the 12 months to last December it made pre-excepted operating profits of \$2.7m on sales of \$15.2m.

The deal follows five months of talks with Albemarle - the former specialty chemicals arm of Ethyl - which first came to Inspec's attention as a supplier to Alcoa, its US specialty acids business.

INTERNATIONAL COMPANIES AND FINANCE

Swiss Re sells non-core businesses

By Ian Rodger in Zurich and Christopher Parkes in Frankfurt

Swiss Reinsurance, the world's second largest reinsurer after Munich Reinsurance, is selling all its interests in primary insurance companies to concentrate on expanding its core business.

In the most important transaction, Allianz of Germany, Europe's largest insurer, has agreed to pay SF1.5bn for Swiss Re's 60 per cent stake in Elvia, Switzerland's fifth largest insurance company with annual premium volume of SF2.6bn (\$2bn). It will also make an offer to public shareholders for the balance at SF3.915 per share. The planned purchases will increase the Allianz group's premium income - DM65.5bn (\$43.6m) last year - by almost 20 per cent.

This marks the first advance of a non-Swiss company into the lucrative and recently liberalised Swiss insurance market.

Allianz has also agreed to buy Vereinte/Magdeburger of

OVERVIEW OF SWISS RE GROUP RESULTS 1993 Sfr million				
	Reinsurance companies	Insurance companies	Total*	% change against 1992
Gross premiums	12,277	11,472	23,749	8.3
Non-life insurance	9,990	9,287	19,275	6.8
Life insurance	2,278	2,185	4,464	15.4
Underwriting results	-238	-552	-790	-9.8
Non-life insurance	-393	-641	-1,034	-7.4
Life insurance	95	49	144	10.8
Investment and other financial income	1,301	674	2,101	1.9
Other income and outgo, taxes	-504	-371	-813	8.1
Profit applicable to minority shareholders	-71	-49.0	-120	-49.0
Consolidated profit	499	-360	325	15.7

*including holding and other companies

Munich from Swiss Re, which would substantially strengthen its already solid position in the German market.

It is also purchasing Swiss Re's 62.7 per cent stake in Lloyd Adriatico di Trieste for SF900m, and making an offer to minority shareholders at L20.342 per ordinary share and L14.335 per savings share.

Meanwhile, Switzerland's Winterthur Insurance will take over the troubled Schweiz Seguros of Barcelona and Schweiz Italia of Milan, as well as Swiss Re's majority stake in La Equitativa of Madrid. Terms were not disclosed.

Swiss Re also published its 1993 financial results yesterday, showing a 15.7 per cent rise in net income to SF252m on gross premium income of SF237.7bn, up 8.3 per cent. The directors are proposing a 9.4 per cent dividend rise to SF10.60 per share.

The profit gain was achieved in spite of SF360m in losses on its primary insurance businesses, mainly due to a "misguided business policy" at Schweiz Seguros. Swiss Re has provided SF480m to put Seguros in order before Winterthur takes it over.

Mr Lukas Mühlemann, who

joined Swiss Re as chief executive a month ago, said a strategic review by the group had concluded that the primary insurance market would polarise around big companies and niche players as deregulation in Europe proceeded.

Swiss Re's companies fitted into neither of these categories, "so we were not good owners for them", Mr Mühlemann, former managing director of McKinsey & Co in Switzerland, said. On the other hand, there was a "great future" in the reinsurance business, in which Swiss Re was well-placed globally.

Lufthansa and Thai Airways in link talks

By Christopher Parkes

Lufthansa is negotiating a co-operation agreement with Thai Airways with the aim of fashioning a network spanning the world, according to Mr Jürgen Weber, chairman.

The German flag-carrier, which earlier this week offered 5m shares at DM182 (\$118.10) each in a heavily oversubscribed combined rights issue and placing operation, said it expected talks to be completed before the end of November.

A deal with the Thai flag-carrier would provide a crucial link in Lufthansa's fast-growing list of partnerships built around an agreement with United Airlines of the US, which already co-operates with Thai.

Mr Weber said the arrangement with United was exceeding expectations. During July and August its transatlantic flights had been filled almost every day.

Meanwhile, Dresdner Bank, which led a book-building exercise for this week's capital-raising, said 3.5m shares offered in the rights issue had been widely distributed among private international investors.

A further 1.1m from the federal government's holding had been placed.

Heavy demand had enabled the offering to be priced at only a small discount - DM2 - to Thursday's Frankfurt stock market closing price of DM184, it said.

The issue and placing marked a decisive change in Lufthansa's status. The sale of government stock and Bonn's non-participation in the rights issue mean the government no longer holds a majority.

It plans to reduce its stake further in the next year or two, although it is not yet clear if it will dispose of its entire holding.

This week's exercise, involving the first large-scale book-building effort in Germany - in which potential investors were canvassed in advance - is widely seen as a rehearsal for further privatisations planned in Bonn.

Headquarters sale winds up Metallgesellschaft disposals

By Christopher Parkes

Metallgesellschaft yesterday completed its assets fire sale with the disposal for an estimated DM500m (\$324.7m) of its Frankfurt headquarters to Difa, a Hamburg-based property investment fund.

Final legal details were hammered out yesterday, the last day of the current financial year, allowing the consideration to be included in the 1993-94 accounts.

Metallgesellschaft will lease back the building, on a prime 25,000 sq metre site next to the Alte Oper opera house and

between the banking quarter and fashionable West End area, for three years.

Unofficial estimates had earlier suggested it might earn about DM700m from the sale. Although the price was not disclosed, officials said DM500m was "plausible". It is understood Deutsche Bank, one of the group's main shareholders and its leading creditor, was also interested in buying the site, which is rated as one of the most desirable in Germany's financial capital.

Difa, which is closely associated with DG Bank, is ranked among the top five open-ended

property funds in Germany, with total assets of around DM7.5bn. It was advised in the Metallgesellschaft deal by Jones Lang Wootton.

The announcement of the disposal followed a confident statement from Mr Kajo Neukirchen, chairman, who said the group's liquidity situation had never been better.

In a letter to staff, he said the disposals programme started early this year as one of the conditions of a DM3.4bn rescue package assembled by creditor banks and shareholders was by and large complete.

Fininvest forecasts debt cut

By Robert Graham in Rome

Heavily-indebted Fininvest, the media, stores and financial services group owned by Italian premier Mr Silvio Berlusconi, expects to reduce the debt burden by one third, to L2,500bn (\$1.5bn), by the year end.

This was the group's forecast yesterday as it released its 1993 accounts. Last year, Fininvest debts totalled L3,920bn on a turnover of L11,552bn, up 10 per cent from L10,469bn in 1992. The forecast drop in net indebtedness comes from the anticipated L590bn in proceeds from the 65 per cent flotation of Mondadori, the group's publishing arm.

Since January, Mr Berlusconi

has had no direct managerial role. The chairmanship has been entrusted to his close friend Mr Fidele Confalonieri, while executive management is in the hands of Mr Franco Tatò.

Net profits were L11.5bn, down from L21.1bn and marginally lower than originally anticipated. However, the 1992 figures were boosted by large extraordinary revenues, while last year's asset disposals - notably the 24 per cent divestment of Fininvest Italia (insurance) to Ennio Doris, which raised L240bn - also helped the bottom line.

During the year, debt restructuring helped cut financial charges from L556bn to

L386bn. The operating result was up 12 per cent to L587bn, in part due to new accounting methods to cover the depreciation of television rights. It is understood that reservations about contingent liabilities, raised by accountants Arthur Andersen on the 1992 accounts, have been addressed. However, the 1993 accounts have apparently raised queries concerning a L330bn credit affecting foreign television rights.

Pre-tax profits rose to L209.3bn, compared with L179.9bn in 1992. The heavily-increased tax bill was blamed on strong profits in the publishing and financial products divisions, plus reduced tax credits.

US retailer emerges from Chapter 11

By Tony Jackson in New York

Herman's Sporting Goods, the ill-starred US sporting goods retailer, has emerged from Chapter 11 bankruptcy and plans to expand. Herman's is owned by an investor group led by the New York merchant banks Whitman, Hefferman, Rhein and Carl Marks.

The group bought Herman's in March 1993 and put it into Chapter 11 three days later.

Herman's was originally acquired by the UK's Dee Corp (now Gateway) in 1986 for £278m (\$439.2m), and promptly went into loss as a result of ill-judged expansion. Gateway was taken over in 1988 in the UK's largest buy-out, and attempts were made to sell Herman's. The eventual sale price was believed to have been about \$40m.

The new owners have used bankruptcy protection to return Herman's to its strong hold in the north-east states, closing all stores west of Pennsylvania and south of Virginia.

BK Vision upbeat on UBS move

By Ian Rodger

BK Vision, the investment company seeking shareholder support to alter the direction of Union Bank of Switzerland, said yesterday it was optimistic that a majority of UBS shareholders would reject the bank's proposal to abolish its registered shares.

This class of shares has five times the voting power of the bank's bearer shares. UBS on Thursday said it suspected BK Vision, controlled by Mr Martin Edwards's BZ banking group, was plotting together a concert party to seize control of the bank, mainly through pur-

chases of the registered shares. The registered shares, on which voting rights are restricted to Swiss citizens, have been trading at a substantial premium to the bearers in recent months.

UBS has called an extraordinary general meeting on November 22 to approve a split of bearer and registered shares into bearers of equal par value. No compensation would be offered to registered shareholders for the loss of preferential voting power or the premium value on their shares.

BK Vision, which holds 19 per cent of the registered shares, worth some SF1.2bn

(\$838m), said the UBS move had already damaged the reputation of the Swiss financial market as a place which protected property rights. However, it did not indicate what action it might take.

UBS shares were the most actively traded issues in Zurich yesterday, and the trend suggested investors believed BK Vision would succeed in convincing a majority of registered shareholders to vote against the UBS proposals. The bearer shares ended down SF5 at SF1.200 after a high of SF1.246. The registered were down SF21 to SF1.303 after a high of SF1.310.

Bank chief calls for supervision rethink

Mr José Pérez, director-general for banking supervision at the Bank of Spain, says banks are bearing a heavier burden of regulation than ideally required to minimise costs to the financial system. John Gapper writes from Madrid.

He told an FT conference on international banking in Madrid that initiatives such as the Basic Committee's proposals to allow banks to use internal risk models to allocate capital for trading could lessen the burden by changing the "style and quality" of supervision.

He suggested costs could also be reduced by managers and supervisors jointly designing databases for each bank. This would allow both groups to obtain relevant information immediately and at lower cost.

Mr Pérez said the multiplication of capital requirements meant that supervisors were "at risk of applying rules that are as complex as they are lacking in accuracy".

Benetton disappoints with small profits rise

By Andrew Hill in Milan

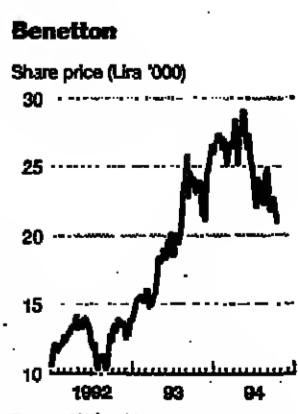
Shares in Benetton, the Italian-based clothing group, fell sharply yesterday after it announced a rise in net profit to L100.5bn (\$64.7m) in the first half of 1994, from L88.6bn in the equivalent 1993 period.

Operating profit, however, fell by 8.5 per cent to L193bn from L211bn, as the company persisted with the price-cutting policy introduced two years ago to combat the international slump in consumer demand.

Investors were disappointed with the performance, and marked the shares down by 4.7 per cent, to L20,927, in a depressed Milan stock market.

Benetton said it expected the full-year increase in net profit to be "slightly higher" than the 1.9 per cent first-half improvement. In 1993, Benetton's consolidated profits rose 12.6 per cent to L208bn.

The continuation of the price-reduction policy in the first half - with cuts ranging from 6 per cent in Italy to 28 per cent in Japan - allowed



Source: FT Graphix

Benetton to pursue its increase in sales volume. Total turnover rose slightly to L1,367bn from L1,362bn.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Copper's advance boils over

London Metal Exchange traders watched anxiously yesterday morning as the three months delivery copper price dipped below the \$2,500-a-tonne mark.

The price reached a 34-year high of \$2,578 on Wednesday but the mood of the market changed the following day with the expiry of the September position at the New York Commodity Exchange. Tightness in that contract had been underpinning LME copper prices, dealers explained.

Stop-loss selling orders were triggered on Thursday as the three months price fell through support at \$2,550 and a short-term trend line at \$2,540. Further important chart levels were breached yesterday morning, traders told the Reuters news agency, with continued stop-loss selling accelerating the decline.

"The worrying thing about copper is that the market can go down to \$2,150-2,200 and still be above the major uptrend line," one dealer said. Moreover, the copper market's upside potential is limited as its recent support around \$2,500 should now offer resistance.

Yesterday's early fall was halted at \$2,485 a tonne by the appearance of scale-down buying and some bargain-hunting. But by the close of the afternoon ring lead selling had taken the three months contract to \$2,450 a tonne, down \$40.25 on the day and \$90 on the week.

The announcement first thing yesterday of a 1.16 per cent fall in LME warehouse stocks was also a boost.

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stocks of copper did little to relieve the market's gloom; but a 0.66 per cent fall in aluminium stocks was enough to underpin a rally in that metal's prices. After an early dip to \$1,901 a tonne the three months position rose to \$1,934, down \$2 on the day and \$14 on the week.

Dealers said that the recovery was fuelled by speculative buying and short-covering and suggested that the strength of chart-inspired support around \$1,900 boded well for an early attempt on the contract's overhead objective of \$1,950 a tonne.

The gold market ended lower on the week after briefly rising to \$400 a troy ounce in response to a report, later denied, that Russia planned to halt exports of the metal.

At the London bullion market the price ended \$2.50 down overall at \$388.80 an ounce, but traders said it had done enough to foster hopes of a renewed advance next week.

"Gold's uptrend remains intact down as far as \$388-\$390," one dealer pointed out, though he added that a retracement to that level would have a fresh assault on \$400.

The outlook for coffee prices appears less promising. In spite of the continuing dryness in Brazilian growing regions the November futures price at the London Commodity Exchange fell by \$187 this week to \$3.80 a tonne.

"It's looking fairly weak. Nobody is in the mood to buy, the roasters have backed off and we're just drifting," said one trader as the price extended its decline yesterday. But others noted that concern about the Brazilian weather situation was ensuring that selling pressure remained fairly light, enabling the price to finish \$40 above the day's low.

Reuters reported that the latest forecast indicated continued dry, warm weather over the week in most Brazilian coffee growing areas, though a few scattered storms were possible.

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

ALUMINIUM, 99.97% (per tonne)

Cash 3 mths

Close 1892-9 1897-8

Previous 1895-6 1890-20

High/Low 1897/1894 1892/1898

AM Official 1897-5 1891-2

Kerb close 1897-5 1891-2

Open int. 222,097

Total daily turnover 43,424

ALUMINIUM ALLOY (5 per tonne)

Close 1895-45 1895-60

Previous 1894-55 1897-1855

High/Low 1894-55 1897-1855

AM Official 1894-55 1897-1855

Kerb close 1894-55 1897-1855

Open int. 3,059

Total daily turnover 577

LEAD (5 per tonne)

Close 820-1 834-5

Previous 824-5 834-5

High/Low 824-5 834-5

AM Official 824-5 834-5

Kerb close 824-5 834-5

Open int. 41,207

Total daily turnover 4,428

NICKEL (5 per tonne)

Close 8380-70 8480-70

Previous 8410-85 8510-85

High/Low 8410-85 8510-85

AM Official 8410-85 8510-85

Kerb close 8410-85 8510-85

Open int. 71,851

Total daily turnover 9,611

TIN (5 per tonne)

Close 8310-20 8380-400

Previous 8310-18 8380-5

High/Low 8310-18 8380-5

AM Official 8310-18 8380-5

Kerb close 8310-18 8380-5

Open int. 16,488

Total daily turnover 2,808

ZINC, special high grade (5 per tonne)

Close 1009-7 1029-30

Previous 1007-5-6 1030-1

High/Low 1007-5-6 1030-1

AM Official 1007-5-6 1030-1

Kerb close 1007-5-6 1030-1

Open int. 96,207

Total daily turnover 12,751

COPPER, grade A (5 per tonne)

Close 2476-77-5 2490-1

Previous 2476-77-5 2490-1

High/Low 2476-77-5 2490-1

AM Official 2476-77-5 2490-1

Kerb close 2476-77-5 2490-1

Open int. 218,732

Total daily turnover 89,501

LME AM Official 5/8 ratio: 1.5800

LME Cheating 5/8 ratio: 1.5770

SPECIAL 5/8 ratio: 1.5770

HIGH GRADE COPPER (COMEX)

Close 2476-77-5 2490-1

Previous 2476-77-5 2490-1

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SPECIAL 5/8 ratio: 1.5770

HIGH GRADE COPPER (COMEX)

Close 2476-77-5 2490-1

PRECIOUS METALS continued

GOLD COMEX (100 Troy oz \$/troy oz)

Sett. Day's High Low Open

Oct 2482 -1.1 2482.5 2484 2,201

Nov 2482 -1.1 2482.5 2484 2,201

Dec 2482 -1.1 2482.5 2484 2,201

Jan 2482 -1.1 2482.5 2484 2,201

Feb 2482 -1.1 2482.5 2484 2,201

Mar 2482 -1.1 2482.5 2484 2,201

Apr 2482 -1.1 2482.5 2484 2,201

May 2482 -1.1 2482.5 2484 2,201

Jun 2482 -1.1 2482.5 2484 2,201

Jul 2482 -1.1 2482.5 2484 2,201

Aug 2482 -1.1 2482.5 2484 2,201

Sep 2482 -1.1 2482.5 2484 2,201

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Nov 2482 -1.1 2482.5 2484 2,201

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Nov 2482 -1.1 2482.5 2484 2,201

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar trades up

The US dollar rallied in afternoon trading yesterday on a Tokyo news service report that a US-Japan trade deal had been agreed, writes Philip Coggin.

The dollar, which had been trading at around ¥98.50 much of the day, jumped suddenly above ¥99 on stories that the Japanese had agreed to relax constraints on bidding for government projects.

The dollar then fell back below ¥99, after Reuters reported a senior US official as saying there was no procurement deal. The official predicted that the result of the talks would be a partial deal, combined with light US sanctions.

The US had set yesterday as a deadline for the talks. Nevertheless, the rumours aroused the currency markets from the lethargy into which they sunk for much of the morning session. "The markets have been like a startled rabbit in the headlights of a car," as

they await the outcome of the talks, according to Mr David Cocker, currency analyst at Chemical Bank.

Mr Steve Hannah, head of research at IBJ International, said that if the dollar does break through the ¥99 level, it could test ¥100. But even if the US currency rebounded as far as ¥102/¥103, that would not break it out of its long term trading range.

Mr Neil MacKinnon, chief

economist at CIBank in London, thought the deal would do little to help the dollar in the medium term. "You need a recovery in Japanese spending and import volumes to make significant inroads into the trade surplus," he said. "With-out a shrinking in the trade

surplus, the fundamental underpinning of the yen will remain.

By the London close, the dollar was trading at ¥98.8700, compared with ¥98.5050 on Thursday.

Dollar

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Other currencies

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DM per unit

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WORLD STOCK MARKETS

Canada

Toronto recouped some earlier losses, but the TSE-300 composite index was still 436 lower at 4,867.57 at 1 pm in volume of 26.6m shares. Among active issues, Sociobank was C\$% higher, at C\$26% and Bank of Montreal dipped C\$% to C\$33%.

Brazil

Sao Paulo rose 2.1 per cent in heavy trade as investors remained optimistic that the former economy minister, Mr Fernando Henrique Cardoso, would win Monday's presidential election. The Bovespa index rose 1,131 at 55,557 at 1300 local time in volume of

Frank McGurty is struck by similarities with 1987

Most analysts had expected the central bank to hold its fire, perhaps until after the November congressional elections. Still, in the fortnight before the meeting, the Dow industrial index back pedaled about 100 points on the growing sense that rates would have to go a lot higher more before they could come down again. "The only way out is for the economy to slow," says Mr. Dodge.

October is traditionally a volatile month on Wall Street, as investors react to the torrent of third-quarter results released by companies. This year, the ride is likely to be even humbler than usual.

to FI 123.50 and VNU lost FI 2.50 to FI 188.20 which, broker said, suggested switching in the stocks.

Chemicals were weak, with Akzo Nohel down FI 3.80 to FI 204.40 and DSM, after two days of breafing analysts, losing FI 4.80 to FI 147.50.

Written and edited by William Cochrane and Michael Morgan

SOUTH AFRICA

Shares posted steady gains as currency factors and window-dressing on the last day of the quarter pulled stocks higher. The overall index finished 40 pence higher at 5,576. Industrials were 27 better at 6,292 and goods collected 14 to 2,441. De Beers rose FI.75 to R101.75.

LIFFE EQUITY OPTION

	Count	%	27	33	3%	11	15%
Any	280	16%	27	33	3%	11	15%
"Z4"	280	7%	15%	28	12	21	35
ASDA	80	16	17	16	1	1%	2
"G5"	70	1%	4%	6	7	8	10
Bird Airways	380	13	24	34	10	20	25%
"B61"	360	S	12	22	33	36%	43%
Swad Island	420	15	28	37%	10%	22	28%
"1405"	480	S	12%	21	38%	47%	53
Boots	500	33	42%	54%	3%	14	33%
"SOG"	580	5	17	30	26%	40	48

£400	420	4%	15%	23%	23%	31	38%
British Steel	180	12%	10%	24%	2	6%	8%
£171	180	3%	9	14	11	16	16
Bases	500	24%	35	47%	7%	24	28%
£513	550	4	12%	18	40%	57	61
Cable & Wire	390	21	34	45%	9%	20	25%
£401	420	7	29	31%	26%	37	41%
Counterside	420	24%	38	46%	4%	16%	20%
£437	480	5%	18	28%	27%	38	47%
Convex Union	463	20%	35%	43	7%	16%	29
£502	543	4	14	21	44	47%	81

Crab Cake	420	40	125	23%	23%	31	38%
Brisket Steak	180	12%	10%	24%	2	6%	6%
F7171	180	24%	9	14	11	16	16
Beers	500	24%	26	41%	74	24	28%
F9131	500	4	12%	18	40%	37	61
Chick & Nite	350	21	24	46%	5%	20	25%
F4011	420	7	11	21%	26%	37	41%
Cheesecake	420	24%	28	48%	41	10%	23%
Chickadee	420	24%	28	48%	41	10%	23%
Country Union	420	24%	28	48%	41	10%	23%
F5021	543	4	14	21	64	67%	81
CHI	500	42	55	80%	7%	24	39
F5001	420	15%	17	25%	30	34%	40
Chickadee	420	35	41%	62	8	14%	22
F4981	500	11%	23%	40%	2	21%	40%
Land Secur	650	30	40%	54%	47	13%	18
F2221	650	17%	19	25%	31	41	48
Morley & S	380	18	27	36%	5	13	17
F4011	420	4%	14%	22	22%	26%	33

Warehouse	400	34.7	86	36	47	13.7	24
['485]	500	11	26	38	22	31.1	45
Warehouse	330	21	32.1	41	61	16	21
['402]	420	8	19	26.1	23	34	43.1
Shed Trans.	650	53	67	75.1	2	6	18
['633]	700	18	33.1	44	14.1	25	37
Storehouse	180	13	16	22	24	61	11
['188]	200	8	7.1	12	13.1	17.1	22.1
Trailer	20	3.1	10.1	13	24	51	71
['424]	30	2.1	6.1	8	11.1	13	

Unifiver	1100	36%	81%	81%	12%	31%	47	
(1123)	1150	1S	35%	54%	38	58%	73	
Zeneca	800	22%	47	59%	18	30%	47%	
(706)	850	B	24	26	51%	61	76%	
Option			Nov	Feb	May	Nov	Feb	May

Crack Corn	140	18	24%	27	3	8 1/2	9
(753)	180	7	13%	18%	12	13%	18%
Unf Biscuits	300	18%	24%	28	11 1/2	15	24

T116)	120	7	11	18	10%	13	15
Option	Nov	Feb	May	Nov	Feb	May	
Bt Aero	420	43	55%	54%	11%	19	27%
E432 1	480	18	22	22%	28		
E432 2	480	18	22	22%	28		
E436 1	480	8	22	27%	22%	34%	50%
BTB	300	18	27	32	35	13	19
C526 1	320	5%	15	15	27	33	50%
Stm Telecom	300	5	15	28%	16%	18%	22
F363	380	5	8%	15%	20%	28%	41
Coastal Sch	420	27%	38	32%	4%	9	16
C488	460	17%	24	30	21	25%	36
Environ Elec	700	62	79	83	13%	25%	37%
E742	750	32	50	56%	24%	45%	57%
Gulfstream	420	40	20%	30	35%	5	13
E466 1	480	14	25%	32	21	33	34%
E466 2	480	14	25%	32	21	33	34%
Y281	300	5	15%	15	10%	22%	

Gold Mines Index (36)	2332.48	-0.2	2336.62
in Regional Indices			
Africa (16)	2692.30	-1.1	2693.25
Australasia (8)	2666.35	+0.5	2671.15
North America (11)	1852.64	+0.2	1878.51

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 First use in Index shows number of companies. Based on 1993 prices.
 * Represents Gold Mines Index. See Box 291.7; day's %
 * Constituent changes with effect 3/10/94. Deviation: High
 Latest prices were unavailable for this edition.

RISES AND FALLS

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

475	NB	4/10	59pm	15pm	Commercial Union	27pm	+3
160	NB	17/10	90pm	20pm	Jermyn Inv.	20pm	

245	NE	19/11	25pm	27pm	Rachid & Colman	31pm	+3
246	NE	19/11	25pm	27pm	Unkshun	12pm	-1

FINANCIAL TIMES EQUITY INDICES

	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Yr ago	High	Low
Ordinary Share	2350.1	2323.8	2359.5	2340.0	2331.4	2312.5	2713.8	2240.6
Ord. div. yield	4.58	4.43	4.36	4.34	4.41	4.02	4.48	5.24
P/E, inv. yield, %	13.33	13.29	13.29	13.28	13.35	12.73	13.39	13.84
£/m. rev. neto net	6.87	6.79	6.75	6.73	6.78	6.56	6.93	6.82
Div. yield, %	17.72	17.55	17.61	17.63	17.64	16.50	18.00	17.09

For 1994, Ordinary Share index, since completion of 17/11/83 2028/84 low 48.4 26/8/84

FT Ordinary Share Index base since 1/1/85.

2320.8	2328.2	2329.8	2333.5	2331.0	2336.8	2329.7	2326.5	2342.2	2350.1	2320.0
			Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Yr avg	

SEAO bargains	23,804	23,298	24,468	23,734	24,526	32,711
Equity turnover (Emt)	-	1,442.6	1,586.4	1,576.7	1,222.3	1,371.3
Equity bargains	-	27,001	27,872	30,207	24,080	36,626
Shares traded (mjt)	-	529.4	498.6	\$16.3	452.5	629.2

(Excluding intra-market business and overage turnover.)

FILES ECHOS

Philip Wrigley on +44 71 873 3351

INVESTMENT TRUSTS - Cont.[illegible][illegible][illegible][illegible]

TRANSPORT - Cont.

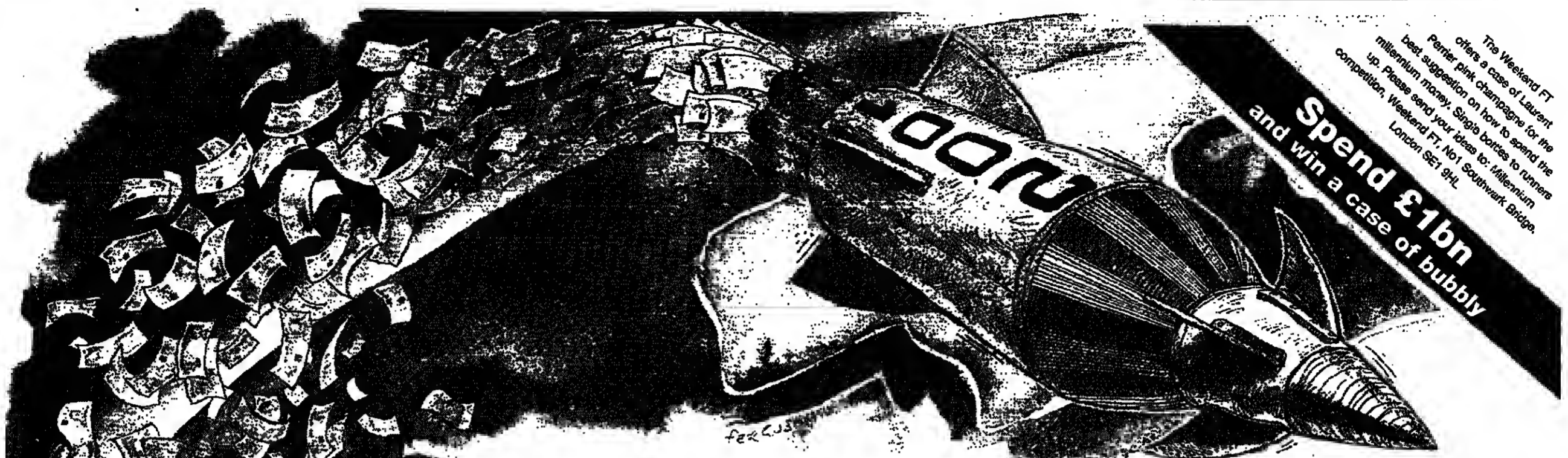
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Weekend FT

SECTION II

Weekend October 1/October 2 1994



The Weekend FT offers a case of 'Laurel' paper print champagne for the best suggestion on how to spend the millennium money. Single copies to runners up. Please send your ideas to: Millennium competition, Weekend FT, Not Southwark Bridge, London SE1 9HL.

Spend £1bn and win a case of bubbly

Wanted: wonder of the age

The countdown has started. In just over five years the world will be celebrating, well, the party of the millennium. And if new year's eve 1999 does not go off with a suitably seismic bang, pedants, who know that the third millennium starts at midnight on January 1 2001 can have a second crack a year later.

The British government is among the purists. Its millennium celebrations climax at the end of the year 2000. And it is going to be some junket: it has set aside a possible £1.6bn to make sure that it is an event that will be remembered for at least the next century. The joy of it all is that, in theory, not a penny of the cost will be paid for by the government - or the taxpayer. It is coming from that seemingly inexhaustible milch cow, the National Lottery.

The lottery is one of John Major's footnotes in history. Margaret Thatcher, the former premier, was implacably opposed to government sponsored gambling: it disturbed her non-conformist soul. Major quickly recognised the manly of the UK being the only developed nation without a lottery and gave the go-ahead. He has proved a reliable friend. Only last month he confirmed his support. "The money raised by the lottery will not replace existing government funding - Treasury, please note."

But if John Major is midwife to the lottery, Lord Palumbo, when chairman of the Arts Council, is given credit for dreaming up the idea that a fifth of all the money raised for good causes from the lot-

tery should go into a millennium fund. His main concern was patching up the great national monuments, especially the cathedrals and grand mansions, as the tired old century came to a close, in time for a fresh start in the new millennium.

The concept soon developed a momentum of its own and until the end of 2000 the millennium fund will be a power in the land. Then the other lottery beneficiaries - the arts, the heritage, sport and charities - will subsume its portion, and all that will be left is its legacy.

Just as the millennium fund arrived rather suddenly from

sington museums, and its dim echo, the 1951 Festival of Britain, which bequeathed the little loved South Bank arts centre.

A few certainties about the millennium are emerging through the haze. Undoubtedly, there will be some grandiose building projects but not nearly as many as first envisaged, at least by the directors of our great museums and galleries. Around half the millennium's cash will go on a dozen enduring monuments, fairly spread across the country. The other half will be spent on more transitory feel-good experiences which, ideally, would

refurbishment of existing buildings, like the British Museum's £100m plan to enclose its inner courtyard; perhaps the National Heritage Fund could help here.

The millennium fund ideally wants new buildings, and mind-expanding ones at that, something on the lines of the Crystal Palace of 1851 or its pipe-squeak 1951 successor, the Skylon. It is unwilling to provide money when there are already established institutions which exist to help. But it will provide endowment funds, so that anything really innovative that emerges does not have to struggle to survive. Who

and therefore dated, for the commissioners, but that they decide that the Welsh Office, or the local council, or commercial developers, are already in place to fund such a development. Who is to say that opera houses might not be old hat in the 21st century?

Another strong contender is the South Bank Centre in London. It has asked Richard Rogers, one of the most fashionable architects of the day, to come up with ideas and he has proposed a semi-transparent umbrella to cover the existing facade buildings. A nationally sensitive site, with memories of past celebrations; a big name architect; plus the opportunity to hold the millennium festival there, that the commissioners might think essential to celebrate the big year - the South Bank looks a good bet.

As does the Tate Gallery of Modern Art on Bankside. Perhaps it is too near the South Bank for comfort, but the UK lacks a national gallery of modern art and we are supposed to be looking forward in 2000. This may enable the commissioners to forget that the Tate is planning to move into an existing building, the old Bankside power station, much of which will be retained. The fact that the Tate has been quick off the mark, and is likely to be able to raise perhaps half the £80m needed from its own resources, may sway the commissioners, who expect big projects to conjure up some matching funding.

None of these buildings, currently the fancied runners, really lift the imagination. It is hard to think that

Now is the time for all good citizens to come to the aid of the (millennium) party. But only mind-blowing ideas will do, says Antony Thorncroft

nowhere so it carries little baggage. There has been only one attempt to define its objectives - by Peter Brooke, the former Heritage Secretary, who guided the lottery on to the statute book. His vision was warbling but woolly.

"Our millennium projects are probably going to be those that would not otherwise happen."

"Above all, the millennium commission's legacy should form a permanent enhancement of our national heritage."

"We should seek to capture the spirit of our age in enduring landmarks that symbolise our hopes for the future."

He took as his benchmark the Great Exhibition of 1851, which bequeathed such memorials as the Crystal Palace and the South Ken-

directly affect the lives of as many people as possible.

The capital projects are up and running, at least in blueprint, before the first lottery ticket has been sold (in November) and the first donations to a good cause made, probably next June. It is already apparent that some highly fancied schemes will be turned down by the millennium fund commissioners, a nine-strong band of the Great and the Good.

They are not inclined to help Covent Garden in its £100m rebuilding appeal: that is a decision for the Arts Council lottery staff. They are unimpressed by a proposal for a great national sports stadium in Manchester: that is for the Sports Council to consider. They are worried by schemes that involve the

knows the UK might have the finest equipped rock stadium in the world in five years, or a technology museum which places foreign science parks back in the Dark Ages.

It is hard to find current projects which are copper-bottomed certainties for millennium aid. For example, Cardiff Opera House is a strong candidate. Wales must have one big millennium building; geography dictates that. Wales is the land of song; Cardiff Bay is trying to regenerate itself; and the local arts mafia has got its act so organised that it has already chosen an architect, Zaha Hadid, on the basis of her challenging design.

The only doubt over Cardiff Opera House is not that the proposed gigantic glass building will appear too 20th century modernist,

Continued on Page IX

CONTENTS

Family finance: How to protect your pension rights	III
Food & Drink: The pick of the world's tea leaves	XII
Perspectives: Lunch with an Essex gentleman	XIII
Sport: A little bit of argy bargy on the yacht	XV
Travel: Frozen ink in glorious Antarctica	XVII
Books: Andrew Neil examines the Oxbridge conspiracy	XX



A Gustavian chair to go with the self-assembly wardrobe: Ikea develops a sense of history Page X

Arts	XXI-XXII
Books	XX
Bridge, Chess, Crossword	XXIII
Fashion	XXIV
Finance & the Family	XXV
Food & Drink	XXVI
Gardening	XXVII
How To Spend It	XXVIII
Markets	XXIX
James Morgan	XXX
Motoring	XXXI
Private View	XXXII
Property	XXXIII
Sailing	XXXIV
Small Business	XXXV
Sport	XXXVI
Travel	XXXVII
TV & Radio	XXXVIII

The Long View / Barry Riley

Global growing pains



Living on the never-never has become expensive. This week, Britain's government paid an interest rate of 8.9 per cent when it auctioned its latest £2bn issue of 10-year gilt-edged bonds. At the present inflation rate, the borrowing cost in real terms is 6% per cent.

No wonder share prices have been flagging in the face of such determined and price-insensitive competition for savings; the stock market has just tottered to the end of a grim September in which the FT-SE 100 index has lost 8 per cent. Yet, this is not a specially British problem. The key US long Treasury bond yield has crashed through a resistance point and is nearing 8 per cent. In various parts of the globe, big mistakes are being made by governments and by investors.

First, however, the good news. As the latest IMF *World Economic Outlook* makes clear, the global economy is looking quite vigorous. The industrial countries will grow at 2.7 per cent this year and the developing countries at 6 per cent - with the emphasis on Asia where the pace is around 8 per cent. Next year, with eastern Europe also pulling round, the global economy is set to expand by 3.6 per cent, which would make it the best year since 1988.

Such a strong revival is a notable achievement, given the severity of the debt crisis that has affected so many countries. The recent recession was mild in comparison with the depressions which have plagued the global economy periodically in the distant past. Governments have been successful in preventing the kind of financial collapse which led to the slump of the 1930s - but the debt, instead of being wiped out, lives on.

Private sector balance sheets often remain stretched; this is the reason why the British housing market is dead in the water. Very often, too, private debts have simply been transformed into public sector liabilities. Saving the

Swedish banking system has undermined the Swedish government's own creditworthiness. Too many governments have assumed they can tap an unlimited pool of global savings, permitting them to run deficits which cannot be financed out of domestic savings. They still have no sense of urgency. Last year, speculative buying of bonds by banks and hedge funds, financed by cheap credit created by the US Federal Reserve, concealed the problem. But that game ended abruptly last February and now Japan, the dominant source of global savings, has been exposed as an untrustworthy link in the global financial chain. In 1987, the time of the "wall of money", the Japanese bought \$137bn of long-term securities, mostly dollar bonds. Up to July this year, the corresponding total was only a net \$3bn.

The Japanese government's support of a fundamentally insolvent and notoriously opaque financial system has prevented an economic slump. But this has allowed Japanese industry to go on pumping out goods at a loss, and has generated a huge trade surplus and matching currency bubble. Foreign currency losses incurred by Japanese investors in the recent past have frightened them off investing overseas. But they are now missing a golden opportunity to buy cheap bonds issued by over-stretched western governments.

Instead, they are sitting on domestic assets while liquidity accumulates in Japan from a trade surplus running at some \$130bn a year. This has to flow out somehow through the capital account; in fact it is largely being recycled through central bank intervention, but into short-term money market-type assets rather than bonds. Hence this year's apparent "shortage" of long-term capital.

The optimistic view would be that higher taxes, falling government deficits and moderate economic growth will allow the imbalances to be corrected over several years. Perhaps the rapid growth in the developing world will, nevertheless, keep the real cost of capi-

tal relatively high. But if the Japanese institutions buy foreign bonds again on a large scale, the value of the yen will come tumbling down and the log-jam will have been broken, to everyone's satisfaction.

Alternatively, there is the disaster scenario: that bond yields continue to climb and central banks go on misinterpreting this trend as reflecting fears of inflation. Higher interest rates will slow down the western economies, causing budget deficits to widen again. The eventual result will be a global breakdown of financial confidence.

To most people, the spectacle of market screens bathed in red while the global economy is growing healthily is simply illustrative of financial hysteria. But the markets reflect accurately the submerged financial pressures.

A fundamental message for western governments is that the budget deficits which they assumed would stimulate their economies will have the reverse effect if they cannot be financed out of savings. In the UK, this boils down to the choices facing pension funds, which are the country's largest savings institutions but have very little new cash coming in. If they buy government bonds, they will have to sell equities. Thus will the private sector of the economy be crowded out. Governments should reduce their deficits and bring down interest rates.

Higher short-term interest rates may actually make it more difficult for governments to sell their bonds: this has become evident in the US, for instance, where short-term savings deposits are now more attractive and money is no longer flowing into mutual funds that invest in fixed income securities. More radical thinking is required: the issue of yen-denominated bonds, for instance, so that western treasuries accept the currency risk that is being shunned by Japanese institutions.

This Black September in the securities markets has resulted from the determination of too many governments to fight the wrong battle while facing in the wrong direction. They still have not looked behind them.

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MARKETS

Equities still in thrall to bond markets

Andrew Bolger

Just how quickly is the American economy recovering? That may seem an odd preoccupation for the UK equity market, but it was the dominant concern during a week in which traders and investors remained in thrall to the international bond markets.

The FT-SE 100 sank below the 3,000 mark amid fears that the rapid pace of US growth might cause the Federal Reserve to put up interest rates again, which would increase pressure for another rise in UK borrowing costs.

All eyes were fixed on Wednesday's meeting of the Fed's Open Market Committee. Shares shed 20 points in the preceding two days, but then recovered when the meeting passed without any rise. However, Thursday's news of an upward revision in American growth rates - plus a 8.7 per cent leap in August's new house sales in the US - was enough to wipe 46.2 points off the FT-SE 100 index.

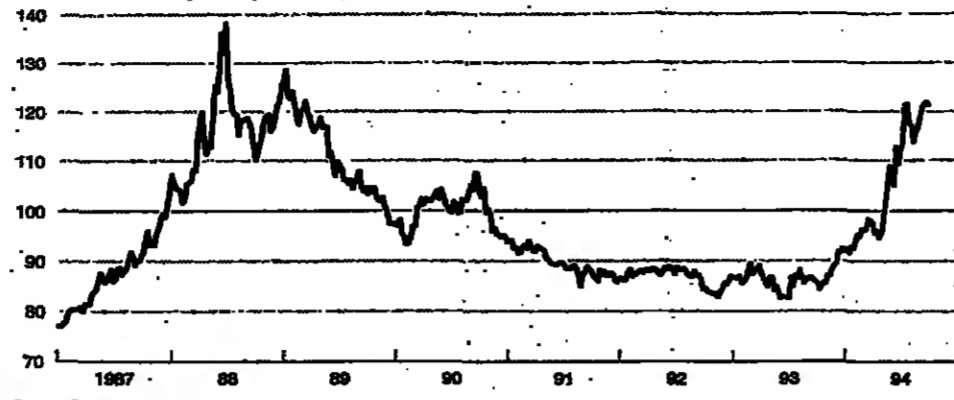
Bond traders are concerned that resumed over-rapid growth could lead to inflation, and indeed the rapid increase in commodity prices illustrated by the chart gives some grounds for concern. Yet there was little in this week's corporate results to suggest that retail prices are on the up - particularly in the housing market.

Shares in Tarmac, Britain's second largest housebuilder, fell after the group said house sales had halved during the two weeks since UK interest rates rose by a half percentage point.

However, shares in Beazer Homes rose after the fourth largest housebuilder said that sales had risen by a fifth since July 1 and had not been dented by the recent rise in interest rates. Victor Benjamin, Beazer's chairman, said: "While it is too early to evaluate the outcome of the recent interest rate increase, we believe that in the current market it is uncertainty over interest rates rather than the actual rate

Commodity prices bounce

Economist Commodity Index (all items \$ prices)



Source: Datastream

which unsettles consumer confidence."

One place where housebuilding continues to thrive is Germany. Redland, the British building materials group, said it would seek a Frankfurt stock exchange listing after announcing a 40 per cent rise in German profits in the first half of this year. The group has so far seen no sign of slackening in demand in Germany, where sales have been boosted by repairs to homes in the east and the accommodation demands from large numbers of immigrants to the west.

UK retailers also reported little scope to increase prices, in spite of improved sales level. Sears, which owns the London department store Selfridges and the Dolcis shoe chain, expects the economy to continue a steady but slow improvement. House of Fraser, which owns department stores

around the country, said sales in September had recovered strongly after a poor August. It said the recent rise in UK interest rates had produced no marked effect but warned that a further rise could be damaging.

One bright spot for beleaguered parents came with the news from Sears that its Olympus sports chain had suffered a dip in sales. Apparently youth fashion has moved away from trainers.

Consumers can also expect more bargains in the bookshops soon, following the decision by Hodder Headline to become the second publisher to leave the voluntary agreement that allows publishers to set minimum prices for most books for six months after publication. Reed Books, the publishing arm of Reed Elsevier, already publishes its books "non-net" and says market share has increased as a result.

Dorling Kindersley Holdings, the publisher of illustrated reference books, said it was disappointed by this latest blow to the agreement. It believed the agreement's abandonment would result in the closure of smaller, independent bookshops and the availability of fewer titles.

The biggest deal of the week came from Reckitt & Colman which put its mustard business up for sale to help finance a drive to become one of the world's leading suppliers of laundry cleaners and other household products. Reckitt announced the £1.55bn (£980m) purchase of L&F Household, a leading US supplier of household products, from Eastman Kodak, and offered for sale Colman's mustard and Robinson's barley water.

Sir Michael Colman, chairman and last family member in the business founded five generations ago in a Norwich mill, said it was a difficult decision to sell Colman's. But he believed the business would be better run by a group with a strong food strategy now that Reckitt was concentrating on disinfectants, cleaners, air fresheners and insecticides.

The market rallied sharply yesterday afternoon and the FT-SE 100 ended the week comfortably above the 3,000 mark. However, the outlook for the fourth quarter's trading, starting on Monday, remains uncertain.

The broker S G Warburg argues that the pressure on bonds is coming from stronger than expected growth around the world, which points to a bullish environment for equities on any strategic view. However, it concedes that "the strong growth in analysts' estimates (which remain solid this autumn) needs to be set against the prospect of continued uncertainty in bonds over the next 12 months."

Warburg has accordingly cut its year-end FT-SE 100 forecast from 3,500 to 3,250 - "a more plausible central assumption," in view of the lack of investor confidence in the bond markets. Warburg now reckons that the 3,500 mark will not be reached before the end of 1995.

Serious Money

Investments that penalise the poor

Gillian O'Connor, personal finance editor

Gift issues - best value v tax status

Even Antif, the unit trust trade association, sounded rather surprised at its own restraint this week: it is not lobbying the chancellor of the exchequer to raise the ceilings on personal equity plans in his November Budget. Like Sherlock Holmes' dog that failed to bark, Antif's silence speaks volumes.

Anyone who can afford to take full advantage of the annual PEP allowance already has a remarkably good deal. The worry must be that some future chancellor will feel it is far too generous and reduce or remove the concessions. For, like most tax concessions, PEPs are widening the gulf between rich and poor.

This week, the Institute for Fiscal Studies produced a research paper pointing out that the savings of the poor tend to incur more tax than those of the rich. This is because the poorer half of the population holds 80 per cent of its assets in interest-bearing accounts at banks and building societies, which are taxed comparatively heavily. But the richest part of the population holds much of its wealth in specialised investments which enjoy generous tax treatment, such as PEPs and direct holdings of shares and unit trusts.

Where the poor have benefited, along with the rich, is through home ownership. But house price booms may be a thing of the past.

If this year's Budget leaves PEPs alone, most investors will rejoice. But, in the long term, would it not be better if chancellors gave up using tax to distort investment patterns?

For a start, tax incentives hardly ever fulfil their creators' intentions. The business expansion scheme was intended to encourage individuals to invest in developing small businesses - and ended up sucking many people into illiquid property investment just as the market turned

Your capital gain on a gilt - a UK government bond - is tax free. However, you pay tax on the interest. Therefore, gilts which deliver a higher proportion of their total return as capital gain are more tax efficient - and - other things being equal - more attractive to higher rate taxpayers.

CONVENTIONAL	Stock	Price	Yield %	Volatility %
5-10yr	Barclays 12.25%, 1999	112 1/2	8.84	3.47
10-15yr	Treasury 8.75%, 2002	103 1/2	8.05	5.44
>15yr	Treasury 11.75%, 2003/07	114 1/2	8.25	6.36
INDEX LINKED	Index Linked 2% 2011	102 1/2	8.76	6.50
	Index Linked 2% 1996	106 1/2	7.45	1.84
	Index Linked 4 1/2% 1998	108 1/2	5.00	3.20
			6.51	4.17
25% TAXPAYERS	Stock	Price	Yield %	Volatility %
CONVENTIONAL	Treasury 6% 1998	89 1/2	7.06	4.83
5-10yr	Treasury 7% 2001	90 1/2	7.03	5.42
10-15yr	Treasury 8% 2002/06	92	6.83	7.46
>15yr	Treasury 8.25% 2010	79 1/2	6.83	8.88
INDEX LINKED	Index Linked 2% 1996	108 1/2	6.52	1.84
	Index Linked 2% 2006	167 1/2	5.83	6.82
			5.45	3.44
40% TAXPAYERS	Stock	Price	Yield %	Volatility %
CONVENTIONAL	Treasury 6% 1998	89 1/2	6.10	4.83
5-10yr	Treasury 7% 2001	90 1/2	5.91	5.42
10-15yr	Treasury 7.75% 2006	82	5.58	7.43
>15yr	Treasury 8.25% 2010	79 1/2	5.74	8.88
INDEX LINKED	Index Linked 2% 1996	108 1/2	4.17	1.84
	Index Linked 2.5% 2001	105 1/2	5.45	6.13
			5.02	

Yield is redemption yield and takes account of any change in the capital value over period to maturity. Volatility is a measure of the sensitivity of the stock price to changes in yield. "Money" is current inflation assumed. \$ not used. Source: BZW

down. PEPs were intended to encourage individuals to invest directly in the shares of quoted companies, but they became a success only when they were transformed into vehicles for the packaged savings market.

Second, tax incentives are - as the IFS shows - of the greatest use to those who can afford expert advice. And, finally, the search for tax-efficient investment leads to investment that is, too often, distorted and, at worst, just plain bad.

□ □ □

This comment from a broker seemed either cryptic or cynical: "It's easier to justify buying gilts on a personal finance basis than on a market basis." But what he meant was clear enough. The actual and prob-

able returns on gilt-edged stocks look attractive compared with those available elsewhere. But most people are expecting interest rates to rise further on both sides of the Atlantic, and gilt prices nearly always fall when interest rates rise. So, gilts are likely to get even cheaper over the next few months.

Does this matter? Buying at the bottom and selling at the top is an unrealistic ambition. Our table, courtesy of BZW, suggests which gilts look most appealing at present to different types of taxpayer.

The yields show what you can actually expect to receive net of whatever your relevant tax rate is - provided you hold them until maturity. The volatility rating reflects the market risk: the higher the rating, the greater the risk.

HIGHLIGHTS OF THE WEEK

	Price	Change	1994	1994	
	Ytd	on week	High	Low	
FT-SE 100 Index	3026.3	-1.9	3520.3	2876.6	US interest rate worry
FT-SE Mid 250 Index	3494.8	-68.1	4152.8	3363.4	Buyers withdraw
Body Shop Int'l	225	+19	264	195 1/2	NetWest positive note
British Aerospace	452 1/4	-12 1/4	584	390	Bid talks with VSEL
British Airways	361	-12	496 1/2	344	Associate passes dividend
Fragmore Estates	440	+21	536	407	Bumper figures
Reckitt & Colman	541	-49 1/4	714	533	L & F acquisition/£230m rights
Scottish Hydro-Elec	335	-51	477	322	Regulator's review disappoints mkt
Scottish Power	356	-31	486	337 1/2	Regulator's review disappoints mkt
Shirelink Int'l Serv	206	-37	425	187	Warms of £0.5m interim loss
Smith New Court	374	-42	496	342	Market turbulence/low turnover
TransTec	49	-19	105	45	Poor results
Unichem	280	-35	313	258	£58m rights issue
VSEL	1210	+245	1228	980	Bid approach from BAE
Wellcome	649 1/2	-34 1/2	731	498	FDA criticism

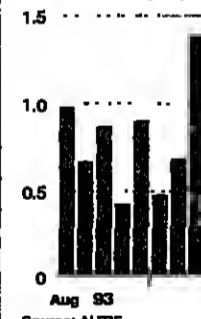
AT A GLANCE

Finance and the Family Index

Pensions: the effect of a landmark court verdict III
Gold/Week ahead/New Issues/Directors' dealings IV
How recent investment trusts launches have fared VII
Immigration and Investment/Life products survey/Announcements VIII
Shake-out in life offices/CGT/Best rates/Q&A briefcase VIII

Unit trust sales

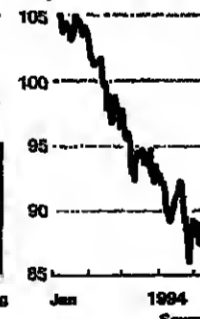
Net Investment (£bn)



Source: AUTIF

Gilt prices

10-year benchmark bond



Source: FT Graphix

Investors favour UK equity income funds

Investment in unit trusts last month rose to a net £773m from £648m in July but it was below August 1993's net investment of £981m. Private investors accounted for 55 per cent of the total with UK equity income funds as their favourite. The Association of Unit Trusts and Investment Funds, which released the figures, said that the number of unitholder accounts crossed the 6m threshold for the first time, to 6,040m.

The figure has risen by one-third since January 1992 against a background of low interest rates, as private investors have turned to equity-related products in the search for better returns than in the building industry.

Gilt auction success

Prices of UK government stock - gilt-edged - continued generally weak, partly because of the fall in US Treasury bonds on Thursday. But earlier in the week the government's £2bn gilt auction had drawn an unexpectedly strong response. Demand was much as predicted. But an unusually large proportion of the stock on offer went to long term investors - life insurance companies and pension funds. And some market-makers had to scramble round buying stock after the auction. In the end the Bank of England had to sell them some.

October: a taxing time

You have until the end of the month to fill in your tax return for 1993-94. The forms should be returned by October 31 to avoid the risk of being charged interest at 6.25 per cent on any outstanding tax. Once the Revenue receives the form, it will send out an assessment and you have 30 days to appeal against it.

Benefit advice line

Help the Aged says pensioners are missing out on state benefits worth about £400m a year. The charity says government statistics show that about 500,000 of the poorest pensioners are eligible for income support and other benefits, but do not claim them. Help the Aged has a free telephone advice line to help with this and other issues affecting the elderly. Call 0800-289 404 for advice.

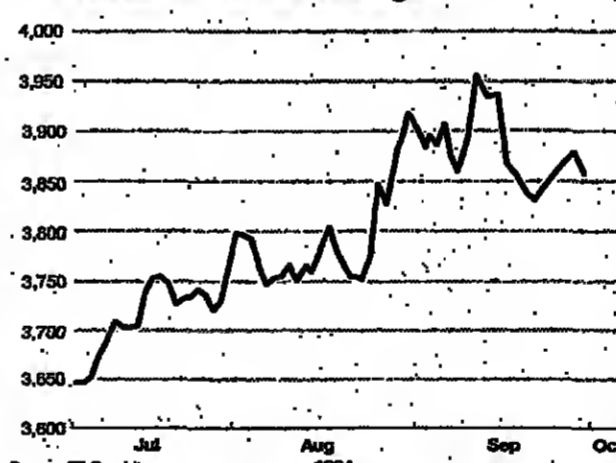
Smaller company shares decline

Smaller company share values continued to decline this week. The Hoare Govett Smaller Companies Index (capital gains weighted) dropped 1.5 per cent to 1637.33 over the week to September 29.

Wall Street

Waiting for Greenspan to hit the brakes

Dow Jones Industrial Average



Source: FT Graphix

freedom to raise rates in the period between FOMC meetings if he felt it was necessary. Analysts believe that on Tuesday, Greenspan was given similar discretionary powers.

The only question is: will the rate increase come at the end of next week, after the September employment report is released, or will the Fed hold its fire until the week after, when figures on inflation, retail sales, industrial production and capacity utilization are all due to be released?

A majority of analysts are betting that the Fed will wait until the inflation figures are released, although very strong jobs data could trigger an early tightening.

Either way, trading on the stock market is likely to be overshadowed in coming

weeks by fear of a rate increase. The Dow Jones Industrial Average has been stuck between 3,800 and 3,900 for more than a month, and it is difficult to see how blue-chip stocks can break up and out of that range.

It is easier to imagine a decisive, downward shift in prices, particularly if the bond market pre-empted another Fed rate increase by sending the yield on the benchmark 90-year bond - the most widely-followed measure of long-term interest rates - above 8 per cent.

The 30-year yield closed this week at just over 7.8 per cent, its highest level since June, 1992. A stronger-than-expected September jobs report would probably push the yield up over 7.9 per cent, with signs of rising inflation in the producer and consumer prices data, and an accompanying rate increase from the Fed, likely to shove it through the 8 per cent mark. At that point, sentiment in the equity market could turn nasty. An overheating economy, a fresh tightening of monetary policy, and rising long-term interest rates would be an unpleasant

combination for stocks. This gloomy scenario, however, does not take into account one factor that should have a positive impact upon share prices in the next few weeks - corporate earnings.

The third quarter reporting season will begin in earnest soon, and every indication suggests that it will be a good one for US companies.

Sustained emphasis upon cost containment and improved efficiency, rising consumer spending, strong domestic economy and resurgent economies overseas should have bolstered corporate earnings during the third three months of the year, and are likely to do so into the final quarter.

Rate increase or no rate increase, US companies are making money, and providing a welcome safety net for investors fearful of a large market slide.

Patrick Harverson

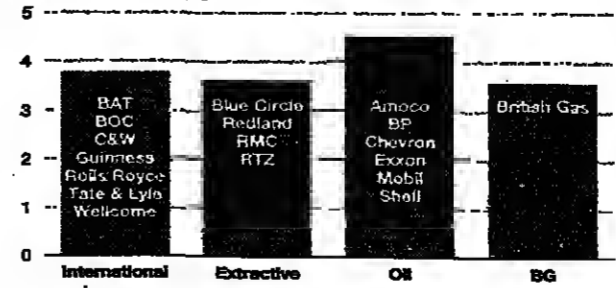
Monday	3849.24	+ 17.49
Tuesday	3863.04	+ 13.80
Wednesday	3875.18	+ 12.14
Thursday	3864.63	- 23.55
Friday		

Bottom Line

Turning on the optimism

Dividend cash cover comparison

1993 cash dividend cover



Source: British Gas

That view is shared by other analysts, although there is still uncertainty over whether the "progressive" dividend policy announced by the company will result in real increases.

Paul Spedding, of London brokers Kleinwort Benson, says the new dividend policy

means that, "at worst, British Gas shares will be equivalent to an index-linked gilt."

He says the company's decision to shift its dividend policy from one based on earnings to a new formula linked to cash flow will allow it to "hold the dividend in real terms."

British Gas' 2m shareholders have been bemused and bemused, but not rebellious in recent years as they watched their company struggle against a rising tide of regulatory pressure to abolish its monopoly markets in the UK.

That was the view of Richard Giordano, British Gas chairman, last Thursday as he and other senior executives set out the company's future dividend policy and corporate strategy to City analysts.

Shareholders may also have been "confused," given the contradictory signals which the company has been sending to the market of late.

At Thursday's presentation, the first such strategy session in many years, Giordano said the regulatory fog of the last three years had lifted enough to offer a coherent view of business prospects to the end of the decade.

The view, although not entirely rosy, was generally positive. And the management was confident enough to give an assurance that as long as there were no "untoward regu-

latory shocks," British Gas should be able to increase future dividends, as well as finance its business strategy in a prudent manner.

The optimistic statement was in sharp contrast to two dividend warnings issued earlier this year. Most analysts believe those expressions of deep pessimism had more to do with the company's political lobbying effort than with underlying business conditions.

But the uncertainty they engendered among shareholders and analysts alike was one of the factors behind the recent under-performance of British Gas shares.

"Shareholders can sleep more easily now after a disturbed summer. Most analysts' comments from the company," said Simon Flowers, an analyst with NatWest Markets in Edinburgh.

decade, according to company officials. The generally upbeat tone of Thursday's presentation suggests that the company has also reassessed the likely impact of the government's decision to introduce full competition into the domestic gas market by 1998, when consumers will also be able to choose between different electricity suppliers.

Although British Gas is likely to lose a healthy slice of the domestic market to its would-be rivals, analysts say there is a good chance that the government might agree to delay the phased introduction of competition from 1998 to 1997.

That would give the company more breathing space in which to create a commercial-oriented business unit able to compete head-to-head with the independents.

Although it is bound to lose market share, British Gas will remain the monopoly transporter of gas to 18m households, a function which accounts for about half the retail cost of gas.

Robert Corzine

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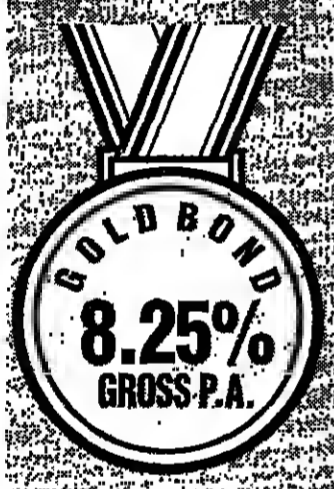
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FINANCE AND THE FAMILY

Best buys for the brokers

Bethan Hutton considers the progress of investment trusts launched this year

Investors have been spoilt for choice with investment trust issues: about 50 new ones have appeared in the past 12 months, plus dozens of conversion share issues from existing trusts. And investors have poured money enthusiastically into them: new trusts have raised £5bn since January 1993 and existing ones another £1bn-plus. But what has happened to them since launch?

Bristol-based financial adviser Hargreaves Lansdown last week polled four leading investment trust brokers. It

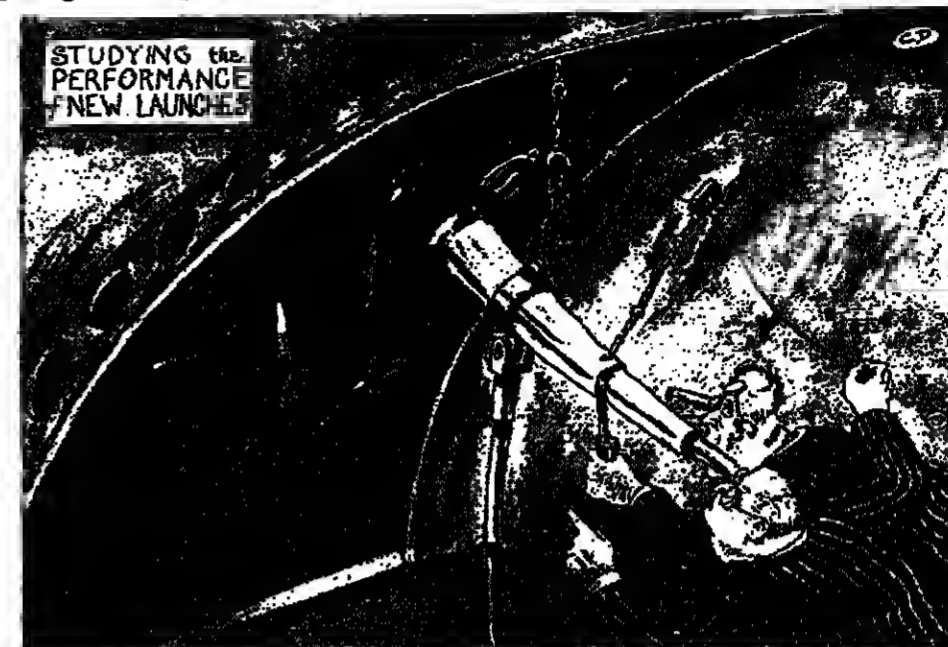
asked if they would buy, sell or hold each of the 170 different investment trust shares and warrants issued since the beginning of last year.

About 90 per cent of the stocks were rated "hold" - which was to be expected, given the usual advice to buy investment trusts for the medium to long term. But three were recommended particularly as buys: EFM Small Companies, Mercury World Mining and Mercury European Privatisation.

One reason given for choosing them was the brokers' high opinion of the fund managers - always an important consideration. Also, all three are trading well below their highs and are, therefore, seen as good value although Mercury World Mining is still at a slight premium.

The most interesting sell recommendation was 3i, the giant venture capital trust floated this summer. It went from a discount of 13 per cent at launch to a premium of nearly 7 per cent, and its share price gained more than 20 per cent, although it has since dropped back a little. The brokers felt the trust's premium was not justified and that other venture capital trusts trading at wide discounts were better value.

Other sell recommendations were dominated by high-yielding trusts - Johnson Fry Utilities, Lazard High Income, Abrust High Income, Gartmore British Income and



Growth - which the brokers felt had become too expensive.

Private investors are often reluctant to part with a share which has done well for them. But Mike Scott, of Hargreaves Lansdown, says that when a trust has achieved in a few months the performance you expected over 18 or 24, it could be time to sell.

He points to Fleming Chinese (see graph), which was launched last year. Initial subscribers who sold at the high reached not long after launch

could have made handsome profits. Those who held on have seen the value of their shares erode to below issue price - although that could present a buying opportunity for new investors or those who sold at the peak.

"New issues can be particularly volatile, especially specialist trusts which can throw up some very good trading opportunities," says Scott. "In some cases, investors are presented with an early opportunity to take profits on a new

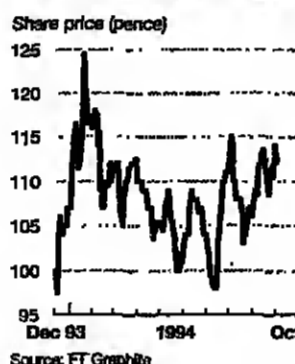
issue because shares have been driven to large premiums, or markets in which they invested have soared in the short term."

But this has been rare in recent months - very few new issues are trading at above launch price (the main exception is the four new Latin American trusts). So, although you should be prepared to sell early if the opportunity arises, it is still important to invest only if you are prepared to hold a trust over the long term.

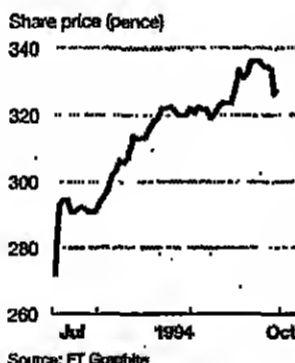
Mercury European Privatisation



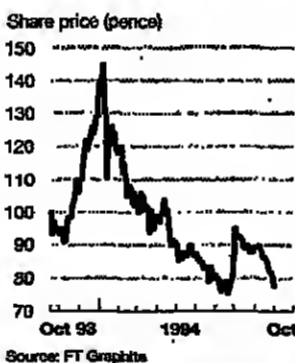
Mercury World Mining



3i Group



Fleming Chinese



NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Size £m	Yield %	PEP Deal?	Savings Scheme	Issue Price P	Minimum NAV P	Minimum Midpoint P	Annual Intest. %	Annual Change %	Other Pctos
■ BZW Commodities Trust													
BZW (071 623 2323)	de Zoete & Bevan	Commodities	1:5	100	n/a	No	No	100p	96.5p	£5,000	1.25	n/a	6/10/94-20/10/94
A mainly institutional fund which may appeal to larger private investors, investing in a wide range of commodities													
■ Fidelity Special Values													
Fidelity (0800 414161)	SG Warburg	UK Growth	1:5	30+	n/a	Yes	Yes	100p	95.5p	£1,000	0.95	n/a	19/10/94-9/11/94
New twin for Fidelity's Special Situations unit trust, run by Anthony Bolton													
■ Infrastructure Trust													
BZW/Société Générale Strauss Thornhill (0500 202021)	Soc Gen ST	Emerging Mkts	1:5	40+	n/a	No	No	100p	96p	-	1.25%	n/a	25/10/94-4/11/94
Innovative trust planning to invest in "information infrastructure" in emerging markets													
■ Lazard Investors													
Lazard Investors (071 614 9065)	Graig Middleton	UK General	1:5	50m	3%	Yes	n/a	100p	96p	£1,000	1%	n/a	closes 22/10/94
Specialising in regional brewers, pub companies and others involved in the production or sale of drinks													
■ Profitic Income													
Profitic (0800 998855)	James Capel	UK Inc Growth	1:5	40+	4%+	Yes	Yes	100p	95.1p	2,000	0.8%	2,000	1.6% 22/9/94-13/10/94
Similar investment strategy to existing Profitic High Income unit trust, ranked 30th of 94 funds over five years													

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	PEP Deal	Savings Scheme Avail.	Charges outside PEP %	Minimum Initial Invest. £	Minimum Annual Other %	Minimum Intest. %	Special offer Period
■ HL Investment Trust Portfolio Trust									
Hargreaves Lansdown	Investment trust units	2	Yes	Yes	5.75	1.75	No	2,500	7.75
Unit trust investing in a wide range of UK and overseas investment trusts, with a 5 per cent annual withdrawal facility.									
* 1 percentage point discount on investments over £5,000; 1.5 over £10,000; 2 over £20,000; and 3 over £50,000.									
■ Managed Growth Fund									
M&G (071 626 4588)	Fund of Funds	1	Yes	Yes	5	1.5	No	£500	0
M&G's second fund of funds, this one concentrates on long-term growth. It is also the second M&G no-initial-charge PEP									
* Withdrawal charges on a sliding scale from 4.5 per cent in the first year down to 0 after the end of the fifth year.									

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FINANCE AND THE FAMILY

Tighter tax rules for immigrants

David Freeman looks at the implications for would-be settlers – and those in the UK already

Changes to UK immigration rules, announced earlier this year, are implemented today and will have a significant effect on those wanting to move to the UK.

When the changes (see box at right) were announced, the government was accused by some critics of "selling the right to live here". Its response was to claim it was simply encouraging investment.

But one side-effect of the changes has become apparent already – the significant tax consequences for many of the people the government says it is trying to attract.

As well as affecting those planning to come to the UK, the changes could affect those already in the country. Many people have to renew their residence visas from time to time. And where the renewal is treated as a new application, the approach taken by the immigration authorities could change.

The best way to demonstrate the practical effect of the changes is by way of example:

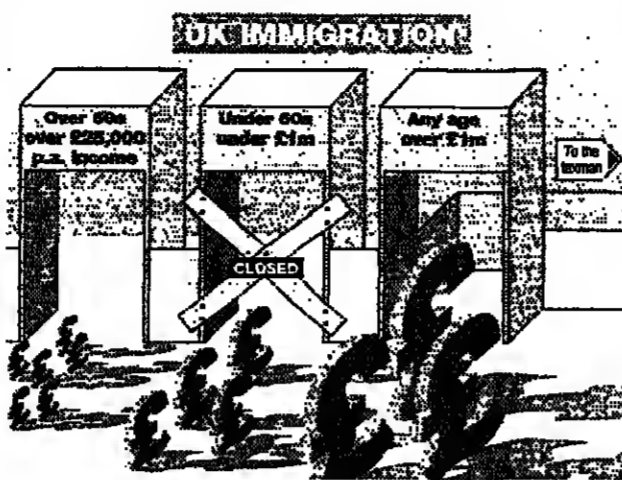
■ Hassan, a man of independent means. Imagine a successful businessman from the Middle East, Hassan, who has interests in various countries. Having built up his business

over a period of 30 years, he decides at age 51 that he wants to retire early and move to the UK with his wife and young family.

In the past, he would have applied to go to the UK as a man of independent means. He would have had to show that he had some connection there – perhaps a house, or regular holidays and business connections – together with assets of more than £200,000. In all probability, he would have been given the right to live there on condition he did not work.

From today, that is no longer the case – because of his age. Only people over 60 will be able to go to the UK under the new independent means rules.

One of the advantages of the independent means rules was that there was no obligation to take any fixed amount to the UK. Had Hassan made the application before today, he could have organised his tax and financial affairs to ensure he kept his UK tax to an absolute minimum – perhaps even to zero.



■ Hassan, the investor. Since he is too young to move to the UK as a man of independent means, Hassan might investigate the possibility of going as an "investor".

If he can show that he has £1m, and is prepared to invest £750,000 of it in government bonds or shares, he should be all right. Suddenly, though,

Hassan finds he needs two sets of advice – first, on how to make the immigration application and, second, on the tax consequences of the promises he is making. For instance:

□ He will have to be careful about how he takes his money into the UK – it is possible the Inland Revenue could treat him as being resident because

The tax changes

	OLD RULES	NEW RULES
Independent means	Any age, over £200,000 capital	Over 60s only. Over £25,000 p.a. income
Investor	Did not exist	Have assets of £1m plus invest £750,000 in government bonds or shares. Any age
Sole representative of foreign business	Prove you are needed. No legal formality in the UK	Set up registered branch or subsidiary in the UK (i.e. establish UK tax presence)
Businessman	Show access to £200,000 investment	£200,000 must be in your name

of past visits. It would be unfortunate if he was taxed because of this.

□ Once the money is in the UK, he will have to invest it. The income from this will be taxed in the same way it would be for anyone else.

□ He will need to submit tax returns (although, as a man of independent means, he could avoid this if he arranged his

affairs carefully).

□ The tax authorities will want to see if the income from his UK investments is enough to support Hassan and his family in the style to which they have become accustomed.

If the Revenue is not convinced that the investment income is enough for this purpose, and Hassan continues with an up-market life-style, he

might need to prove where he is getting the extra resources to do so. But with care, and by following the rules, he should pay tax only on UK-generated income.

What is clear is that Hassan's life in the UK is going to be rather more complicated than it would have been as a man of independent means. The Revenue will be in contact with him or his accountants every year when his tax return is completed.

The new rules are not good for Hassan, and he will have to decide if he wants to wait until he reaches 60 before applying to go to the UK as a man of independent means, or accept the restrictions that will be imposed upon him as an investor.

■ Omar, a sole representative. Having been successful in his business abroad, Omar might be asked by his company to be its sole representative in the UK. Under the old immigration rules, he would have had to pay tax on his salary like

anyone else, but the company would have been outside the UK tax net.

From today, Omar's company must register a branch or subsidiary if he is to be its representative. It will then have a UK tax profile – which it might not want.

■ Hassan, the businessman. Hassan might decide he does not wish to be a man of independent means and wants to carry on working. So, he could consider setting up a business in the UK.

The rules about this have not changed significantly; the minimum amount of money required to be invested in a business remains only £200,000, which must be held in the name of the person moving to the UK rather than, say, in trust or in another company. The disadvantage for Hassan is that, if he dies prematurely, it will be taxed under UK inheritance tax rules.

The subtle changes to the immigration rules undoubtedly will make the arrangements for would-be immigrants more complicated. Never before has immigration and tax planning become so inter-linked.

Still, with careful planning, the many tax advantages available to people from abroad will remain.

■ David Freeman is a partner at City solicitor Elias Freeman.

Choose right and double your money

If you want to take advantage of stock market growth but prefer the pooled route rather than direct investment, the choice of products and providers is bewildering.

The latest survey of the most popular savings products from life offices shows that, with the right choice, you can double – even treble – your money. But if you get it wrong, your initial investment could be halved.

In its 1994 survey* of unit-linked products, *Money Morning* examines the charges and returns for maximum investment plans, single premium bonds and personal pensions, among others.

Maximum investment plans and single premium bonds compete, with other pooled investment vehicles – in particular with unit trusts – but there are significant differences in the way these funds are taxed. Life office funds are liable to basic-rate income tax and capital gains tax, but some "qualifying" products can offer a fund that, at maturity, is free of higher-rate tax. This is because the product has an element of life assurance.

While these products can be attractive to higher-rate tax payers, those on the basic rate have little to gain. John Jenkins, of actuary Alexander Clay & Partners which co-produced the survey, says: "Investors should realise that the income tax charged on the fund cannot be reclaimed."

"The same is true of the capital gains tax which is charged on the build-up of the life fund.

Top 10 MIPs	
Company	£
Allied Dunbar	13,511
Norwich Union	13,329
Sun Life	13,273
Prudential	13,160
Standard Life	13,141
AXA E&L	13,030
Confed Life	13,032
Prudential	12,942
London Life	12,908
Legal & Gen	12,870

10-year past performance based on £70 monthly premium for non-smoking male, aged 25. Source: Money Morning

Bottom 10 MIPs	
Company	£
Swire Life	10,318
Refuge	11,010
Merchant Inv	11,406
Cornhill	11,431
Barclays Life	11,460
Provision Capital	11,515
Skandia Life	11,534
Prudential	11,567
Liberty Life	11,784
Guardian	11,907

10-year past performance based on £70 monthly premium for non-smoking male, aged 25. Source: Money Morning

Top 10 S-P Bonds	
Company	£
Sun Life	14,964
Allied Dunbar	14,844
Legal & General	14,817
L and M	14,546
MGM	14,546
Norwich Union	14,334
Westleyan	14,292
M&G	14,211
Prudential	14,190
Liberty Life	14,152
AXA E&L	14,128

5-year past performance based on single premium of £10,000 for non-smoking male, aged 25. Source: Money Morning

Bottom 10 S-P Bonds	
Company	£
Swire Life	10,985
Guardian	11,582
Royal Life	11,955
Alico	12,153
MGM	12,179
Westleyan	12,573
Refuge	12,601
Corn Union	12,621
Cornhill	12,639
Albany Life	12,695

5-year past performance based on single premium of £10,000 for non-smoking male, aged 25. Source: Money Morning

You cannot get a refund even if you have not used up your annual CGT allowance. In this respect, unit trusts are better, because CGT is not charged on the build-up of the fund and, when you are assessed for this liability, you can use your allowance to offset the tax."

Even higher-rate taxpayers should check, before signing up for one of these products, to see if the same result can be achieved by separating the two key elements – say, by using a unit or investment trust for the investment and simple term assurance for the life cover.

Jenkins adds: "For the more active investor, a maximum investment plan is more flexible and cost-effective for switching between funds. But if all you want to do is pay a regular amount to a managed or standard equity-based fund, then unit trusts offer better value."

■ Maximum investment plans. These are regular premium

savings plans that run for a minimum of 10 years and offer life cover worth at least 75 per cent of the total premiums paid over the term of the contract. The survey shows how the returns vary considerably. Top provider for a £70-a-month investment over 10 years was M&G with £15,250. Worst was M&G, which returned £10,799.

Charges also vary significantly. If you invested £100 a month for 10 years, the projected total (where no charges are deducted and assuming 7.5 per cent growth a year) is £17,659. The effect of London Life's charges would be to reduce this figure by £1,269 while the corresponding figure for the highest charger, Reliance Mutual, was £3,380.

■ Single premium bonds. These are lump sum investments that are not "qualifying", so higher-rate tax will be charged where applicable. The top managed fund over five years was from Sun Life, with a return of £14,964 on an investment of £10,000.

Now you pay more to insure

Protecting your assets becomes more expensive this weekend, with the new insuring premium tax of 2.5 per cent coming into force today.

It will be noticed most by motorists and those buying buildings and home contents cover, but it applies to all general policies including travel insurance and the employment protection cover often sold in conjunction with loans and credit cards.

It also includes contracts which may not normally be thought of as insurance, such as extended warranties on electrical goods and membership of breakdown recovery services like the AA and RAC.

While tax does not apply to long-term products, like life insurance or most kinds of permanent health insurance, it will hit private medical insurance.

A handful of insurers – including the Prudential and Pearl – have announced they will absorb the cost rather than pass it on to their customers. But this could be short-lived: no insurer has committed itself to absorbing the tax for more than the first year and some people in the industry fear it could be increased in next month's Budget.

In other EC countries, the tax can be as high as 30 per cent on some types of insurance, although a more normal level is 5 to 10 per cent.

Research by AA Insurance has found that UK motor insurance premiums rose on average by less than 0.5 per cent between July and October, rather than at least 2.5 per cent, as might have been expected. So, although most insurers are passing on the cost of the tax, underlying premiums are falling for other reasons – which almost cancels out the effect of the new levy.

Bethan Hutton

EDUCATION

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Annuities

The average annual inflation rate over the past decade stands at 5.35 per cent, so August's 2.4 per cent might appear relatively low, writes Peter Quinton, of the *Annuity Bureau*. But those approaching retirement need to consider the most effective way to protect annuity income against inflation.

Some protection can be achieved by choosing an escalating annuity. This guarantees a selected annual increase of 3 per cent, 5 per cent, 8.5 per cent (which can be subject to Inland Revenue restrictions) or, alternatively, in accordance with the retail prices index.

A comparison with last week's table listing level annuity rates shows the first year's payments for escalating annuities is considerably lower.

Over time, however, income will outstrip what would be

LATEST ANNUITY RATES

Compulsory purchase annuity			
Male age 55	Female age 50	Male age 60	Female age 60
Escalating at 5% pa	Escalating at 5% pa	Escalating at 5% pa	Escalating at 5% pa
Royal Life	£5,817.88	Prudential	£5,475.96
Prudential	£5,598.20	Royal Life	£5,416.85
Sun Life of Canada	£5,463.56	Sun Life of Canada	£5,259.04
Male age 60	Female age 60	Male age 65	Female age 65
Escalating at 5% pa	Escalating at 5% pa	Escalating at 5% pa	Escalating at 5% pa
Royal Life	£7,618.75	Royal Life	£6,720.37
Prudential	£7,469.76	Prudential	£6,557.88
Canada Life	£7,366.88	Sun Life of Canada	£6,359.92
Male age 70	Female age 70	Male age 75	Female age 75
Escalating at 3% pa	Escalating at 3% pa	Escalating at 3% pa	Escalating at 3% pa
RNPFN	£12,328.92	Royal Life	£10,534.45
Royal Life	£12,288.20	RNPFN	£10,350.84
Canada Life	£12,113.40	Canada Life	£10,235.40
Joint Life - 100% spouse's benefit			
Male 60/Female 57	Male 65/Female 63	Male 70/Female 68	Male 75/Female 73
Escalating at 5% pa	Escalating at 5% pa	Escalating at 5% pa	Escalating at 5% pa
Royal Life	£5,741.87	Royal Life	£6,565.24
Prudential	£5,735.88	Prudential	£6,420.60
Sun Life of Canada	£5,540.96	Canada Life	£6,339.00

All payments are monthly in arrears, without a guarantee period. Rates are as at 27 September 1994. Factors assume a purchase price of £100,000 and are shown gross. RNPFN annuities are available only to those in the nursing and allied professions. Figures supplied by the Annuity Bureau Limited, Enterprise House, 50/55 Upper Ground, London, SE1 9PQ. Tel: 071 560 4090.

achieved through a level annuity – particularly if the annuitant anticipates living beyond

the average life expectancy – 78 for a man aged 65 and 82 for a 65-year old female.

Coutts & Co Interest Rates.

SAVINGS ACCOUNTS

Effective 3rd October 1994		Gross interest rate p.a.	Gross compounded annual rate
Three Month Reserve Account			
£50,000+	5.25%	5.25%	5.35%
£25,000-£49,999	5.00%	5.00%	5.09%
£10,000-£24,999	4.75%	4.75%	4.84%
Current Account with Cash Management Option			
£50,000+	4.00%	4.00%	4.06%
£20,000-£49,999	3.50%	3.50%	3.55%
£5,000-£19,999	3.00%	3.00%	3.03%
Reserve Account for Personal Customers			
£50,000+	4.00%	4.00%	4.06%
£20,000-£49,999	3.50%	3.50%	3.55%
£5,000-£19,999	3.00%	3.00%	3.03%
Reserve Account for Businesses/Charities/Societies			
£100,000 - £1 million	3.25%	3.25%	3.29%
£25,000-£99,999	3.00%	3.00%	3.03%
£10,000-£24,999	2.25%	2.25%	2.27%
High Interest Clients Account			
£100,000+	3.25%	3.25%	3.29%
£25,000-£99,999	3.00%	3.00%	3.03%
£10,000-£24,999	2.25%	2.25%	2.27%
7 Day Notice Deposit Account			
TESSA	1%	1%	1%
TESSA	5.75%	5.75%	5.88%
Charity TESSA	5.125%	5.125%	5.22%

*We are able to place sterling and currency with the Money Markets. Rates are subject to daily variation. Further details may be obtained from your branch.
*Where appropriate, Basic Rate Tax will be deducted from interest credited or paid (which may be reclaimed by non-resident taxpayers). Subject to the required registration form, interest will be paid gross.
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FINANCE AND THE FAMILY

Life offices face shake-out

At least 40 could close under new rules, says Debbie Harrison

Consumers should benefit next year when life insurers enter a period of increased regulation and price competition.

What is not clear is whether the predicted demise of at least 40 of the total 103 life offices is entirely good news. Clearly, it depends on whether you buy your long-term investment product from a winner or loser.

The trigger for the shake-out is the introduction in January of rules that require life offices to tell clients exactly how much they pay advisers and salesmen in commission, and what deductions they make for administration.

Until then, they can hide

behind meaningless "standard charge" illustrations that tell you nothing.

Naturally, the low chargers and the top performers (not necessarily the same offices) are fairly relaxed about their future. The rest are worried.

Last week, we reported a *Money Management* survey on personal pensions which revealed that the Hearts of Oak friendly society deducted 40 per cent of a client's premiums in charges. From January 1995, the client will be told about these costs before making a commitment - and is likely to buy elsewhere, providers who combine high charges with poor performance should go to

the wall. In practice, the governing actuary which is predicting the demise of 40 life offices, also said that just 10 per cent of existing offices appeared to be cost-effective. It added: "The remainder, mostly traditional life offices, are leaving themselves open to attack by the new, lower cost, simple savings providers."

The question investors should be asking is: "If I invest with a life office that subsequently is taken over, will my fund be well managed?" (After all, financial clout is not synonymous with good performance and low charges). The answer, unfortunately, is: "That depends."

In theory, a fund that is closed should do well because it does not bear new business costs. On the other hand, if the high charges imposed by the original life office are maintained, along with the early termination penalties, you could be stuck in a situation where it is unprofitable to stay but expensive to get out.

To make its predictions, Bacon & Woodrow considered the cost of acquiring new business and maintaining policies in force. It then provided a rough identikit of the survivors but no actual names.

Among the survivors, however, B&S listed bancassurers (which sell financial products to bank or building society customers) and life offices that concentrate on specialist products sold through independent advisers.

Clear losers were the subsidiaries of foreign companies, which made up the bottom 10 in the rankings. Also at risk were the broad-based, medium-size life offices that try to be all things to all men - and, in practice, do nothing very well.

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We have a deposit account with an English building society on the Isle of Man, primarily to receive interest before tax is deducted. Would it be legal - that is, tax avoidance rather than tax evasion - if, when the interest was due, we travelled to the island, withdrew the interest and spent the money there? And would we need to declare the amount of interest spent on our next tax return?

You forgot to tell us where you and your husband are domiciled. If, as well as being resident and ordinarily resident in the UK, you and your husband are domiciled in England and Wales (or in Scotland or in Northern Ireland), then you are liable to pay UK tax on the Manx interest regardless of whether or not it is remitted to the mainland.

On the other hand, if (despite being resident and ordinarily resident in the UK) you and your husband are domiciled somewhere else, you would not have to pay UK tax on the interest.

Evasion - or avoidance?

and Powergen. 1. Is it possible for the tax credit to be reclaimed on the dividends? 2. Can the dividends be re-invested automatically?

1. Yes. The child's parents (or other legal guardians) should write to their local tax office for a claim form, which they must complete and sign on the child's behalf. 2. Ask each of the companies if they operate such a scheme for their shareholders.

Q&A

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

I trust my broker, but...

I hold a small portfolio of shares registered in my name. Following recent shortening of the period for settlement after any share transaction, it appears sensible to follow my broker's recommendation that my holdings be transferred to a nominee account registered at the address of his employer (an associate company of a European bank).

To effect this change, I was sent a bundle of stock transfer forms for my signature with the broker's assurance, as follows: "I confirm that the transfer of your securities into a nominee account will not affect the beneficial ownership. Each valuation that we send you will include a list of those stocks which are owned by you, held in your order in our nominee company."

I have complete trust in the integrity of my broker. But is this informal statement of my interest all that I should require as a reasonable but prudent investor?

The broker is correct that a transfer of your securities into a nominee name will not affect

the beneficial ownership. The legal ownership of the shares is held by the nominee company in trust for yourself, and it has all the obligations and fiduciary responsibilities of trustees towards you.

You have, it appears, already assured yourself of the integrity and company standing of your broker. You might be interested to acquire the booklet entitled *Self Defence for Investors*. This is available free on request from the Securities and Investment Board at Cavendish House, 2-14 Bunhill Row, London EC1V 8RA, tel: 071-638 1240. (Murray Johnstone Personal Asset Management).

No answer from Revenue

I have been trying for some time to get a satisfactory answer from both my wife's and my tax office to the following question: "With the introduction and expansion of the 20 per cent tax band, why does the Inland Revenue still expect employers to deduct tax at 25 per cent for ad hoc work?"

Surely, someone who is not going to work regularly

should be taxed at the lowest band - ie, 20 per cent?

Questions of Revenue policy are outside the scope of local tax offices. Send your question to the Controller, Inland Revenue, Insurance and Specialist Division (Schedule E), 550 Streetbrook Road, Solihull, West Midlands B91 1QU.

Better deal on insurance

Soon after buying a new car recently, I discovered my insurance broker had not offered me a very good deal, other firms offered better motor policies for around £50 less. I asked him if I could cancel my existing policy, get a pro-rata refund and change to a better company.

I was told I would get a refund equivalent only to my paying about £50 for just one month's insurance. I asked for confirmation and was told the company would not quote an exact figure until I had committed myself to cancelling the policy. Is the company wrong by refusing to say what the refund would be until I have committed myself?

It appears you are paying the penalty of trying to cancel a policy very soon after its initiation. The company incurred administration costs in setting up the policy for your new car, and it would be difficult for it to quote an exact refund figure until you had given it a specific date and confirmation.

We feel sure, however, that if you apply to the company, you will be able to get an accurate estimate of the costs involved.

Shares are worthless

Some years ago, I bought a few shares in Resort Hotels but I suspect they are now worth nothing. Is this the case?

Yes. The shares were suspended on July 16 this year.

Your CGT

The table shows capital gains tax indexation allowances for assets sold in August. Multiplying the original cost of the asset by the figure for the month in which you bought it. Subtract the result from the proceeds of your sale; the balance will be your taxable gain or loss.

Suppose that you bought shares for £5,000 in September 1985 and sold them in August 1994 for £13,000.

Multiplying the original cost by the September 1985 figure of 1.516 gives you a total of £7,580.

Subtracting that from £13,000 gives a capital gain of £5,420 which is within the CGT allowance of £5,800.

If selling shares bought before April 6 1985, you should use the March 1982 figure. The RPI in August was 144.7.

CGT INDEXATION ALLOWANCES: August 1994

Month	1982	1983	1984	1985	1986	1987	1988
January	-	1.752	1.666	1.587	1.503	1.447	1.401
February	-	1.744	1.659	1.574	1.498	1.441	1.395
March	1.821	1.741	1.654	1.559	1.498	1.438	1.390
April	1.798	1.717	1.632	1.527	1.482	1.421	1.383
May	1.773	1.710	1.626	1.520	1.479	1.420	1.383
June	1.768	1.706	1.622	1.517	1.480	1.420	1.357
July	1.767	1.696	1.624	1.518	1.484	1.421	1.356
August	1.767	1.699	1.609	1.515	1.479	1.417	1.341
September	1.768	1.681	1.606	1.516	1.472	1.413	1.335
October	1.759	1.675	1.596	1.514	1.470	1.408	1.321
November	1.751	1.670	1.591	1.509	1.467	1.399	1.315
December	1.754	1.665	1.592	1.507	1.453	1.401	1.312

Month	1989	1990	1991	1992	1993	1994
January	1.304	1.211	1.111	1.067	1.049	1.024
February	1.294	1.204	1.105	1.062	1.043	1.018
March	1.289	1.192	1.101	1.059	1.039	1.015
April	1.286	1.157	1.087	1.043	1.029	1.003
May	1.258	1.147	1.084	1.039	1.026	1.000
June	1.254	1.142	1.079	1.039	1.028	1.000
July	1.253	1.141	1.081	1.043	1.028	1.005
August	1.250	1.130	1.079	1.042	1.024	-
September	1.241	1.119	1.075	1.038	1.020	-
October	1.231	1.111	1.071	1.034	1.020	-
November	1.221	1.113	1.067	1.036	1.022	-
December	1.218	1.114	1.066	1.040	1.020	-

Source: Inland Revenue

Setting losses against income

Some time ago in the FT, I read an article saying that losses in private managed companies can be set against income. My accountant says it does not apply to offshore trusts. Is he correct?

The article you read was talking about sections 573 to 576 of the Income and Corporation Taxes Act 1988. To satisfy yourself that your accountant is right, go to a local reference library and look up these provisions in one of the multi-volume tax works, such as the *British Tax Encyclopedia*.

Credit can be reclaimed

I hold some shares on behalf of a four-year-old granddaughter in National Power

Misplaced confidence

A surprising faith in the government's generosity has been revealed by a telephone poll seeking people's views about the payment of mortgage interest relief for people who have been made redundant. Just over one in three think the government will pay all the interest from day one. In fact, it will do so only after 16 weeks.

The poll, conducted by Audience Selection, was commissioned by Alliance & Leicester building society which, until November 12, is offering a year's free unemployment insurance with its fixed rate

or discounted mortgages. In the case of a joint mortgage, the insurance pays half the amount if one borrower becomes redundant.

More generally, however, the poll comes against a background of lobbying by mortgage lenders to try to prevent the government curtailing mortgage interest payments for people on income support.

Already, the payments are not available for loans above £125,000, or for people with more than £5,000 savings.

There were more mortgage rate announcements this week. Woolwich has increased

its standard variable rate by 0.35 of a percentage point to 8.1 per cent, the same as the Halifax. Midland, National Westminster and Lloyds bank are all moving to 8.1 and join Barclays bank, which made its announcement earlier.

Variable rates at Scottish banks are better - the Royal Bank of Scotland has passed on the full half percentage point increase but its standard variable rate is now 7.99 per cent. Bank of Scotland also moves to 7.99 per cent on Monday from 7.64 per cent.

Alison Smith

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*Source: Mifcoral offer to bid with gross income reinvested since launch to 22/08/94. UK Enterprise Fund from 01/08/88 and from 01/08/89 +102%, 111%; Smaller Companies Fund from 01/08/79 and from 01/08/89 +14.4%, 30/52; Income and UK Equity Funds from 03/01/72 (the earliest date for which Mifcoral figures are available) and from 01/08/89 +68.3%, 8/94 and +74.1%, 1/80 respectively.

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PERSPECTIVES

The idiosyncratic stonemasons' yard at Lloyds of Great Bedwyn, near Marlborough, Wiltshire has been an irresistible lure for generations of children from the village school next door.

"Press the button and the fountain will work," says the ageing hand-cut plaque attached to a statue of a greek goddess that stands precariously on the front wall.

It still does work. Follow the instructions and a huge and noisy plume of water cascades from a giant urn at the rear of the yard, which also houses a bewildering array of items, from Chinese granite lions to teddy bear headstones, medieval-style carved grotesque heads, and a scaled-down stone replica of a Sopwith Camel first world war aircraft carved as a memorial to an airman killed in 1917.

All the "exhibits" in the yard are of stone, as are the 100 or so plaques and inscriptions in the collection attached to the side of the Victorian brick headquarters of the five-man company.

They have been collected by members of the seven generations of Lloyd who have run the family business, and passers-by are welcome to drop in and view the collection.

One might reasonably think such an established enterprise serving a wide area with items from churchyard memorials to marble bathrooms, floors, worktops, fireplaces and stone garden ornaments, would be as solid as the Bank of England. Yet two years ago the business came as close to collapse as it has in 204 years of existence.

John Lloyd, 38, who took over the reins from his father Ben 12 years ago, is still paying the price for a brief collaboration with an old friend that lasted two years and had damaging effects on his original business.

"Despite the onset of the recession in the late 1980s we were doing really well. I had a staff of five, plus a secretary, and we were turning over £250,000," said Lloyd.

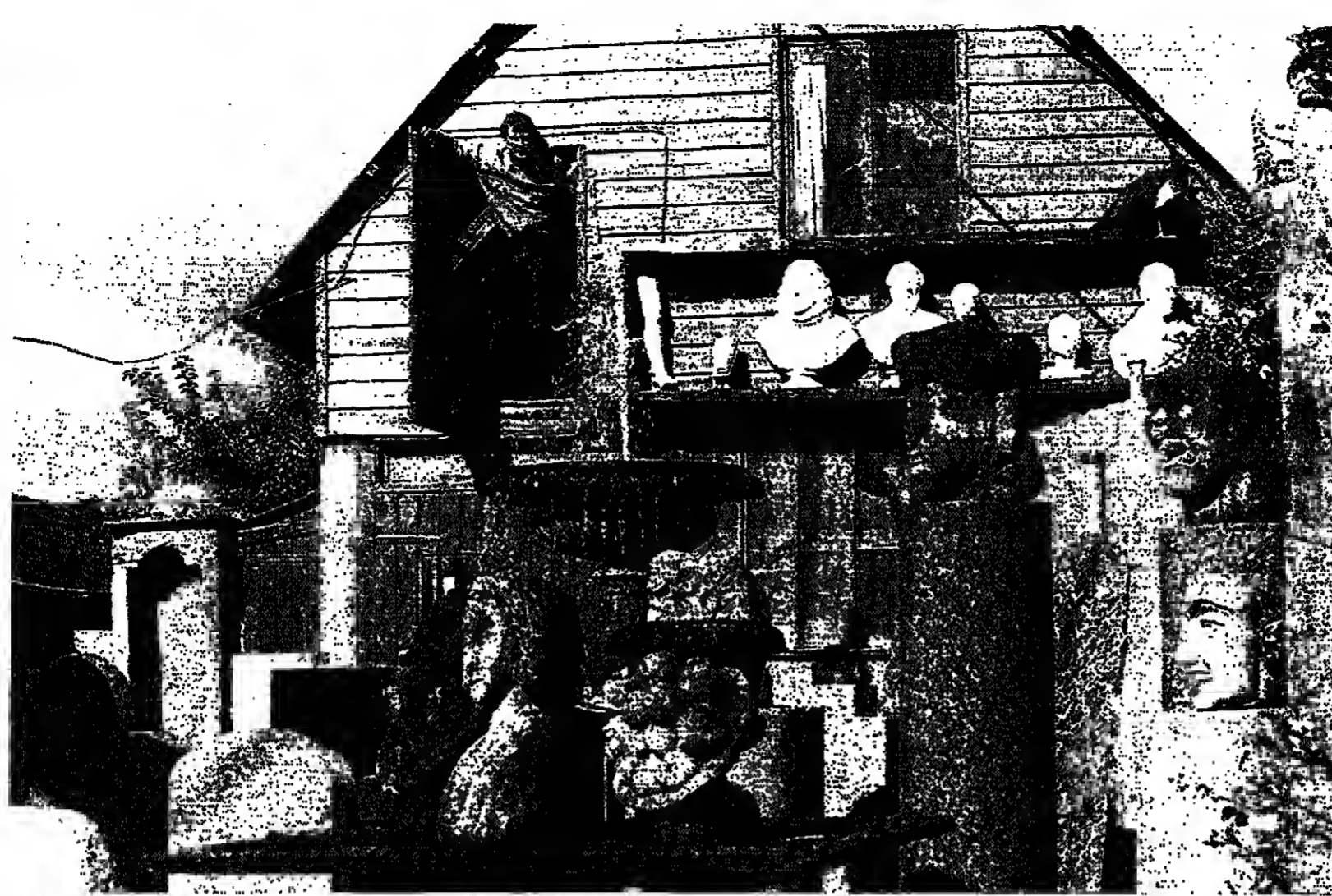
"We were having to work harder for our money than we did in the boom of the mid-80s, but life was varied and enjoyable, and there was no shortage of work, including a number of lucrative marble fitting jobs in London."

"We had managed to keep up with mechanisation, and there was still a healthy demand for the high quality hand letter cutting in which we have always specialised. However with the increase in demand for marble work I thought it would be a good idea to join up with an old friend who was disillusioned with his job working for a major marble importer, and form a new enterprise importing and wholesaling all forms of marble."

"We ran the business as a separate entity from here. The first mistake I made was to resolve to draw no salary from the new business, believing, in my naivety, that it would pay me back later."

"After 12 months I was aware that I was putting three-and-a-half days a week into the new venture and the masonry business was suffering."

"Almost before I realised it the family business had built up an overdraft of £40,000 - we



Faces from the past: John Lloyd with works from the collection built up by the seven generations who have run the family business

Minding Your Own Business

Costly chip off an old block

Clive Fewins visits a family stonemasons which nearly cracked after 200 years

had never owed anything like that before - and the bank was getting uneasy. My neglect of the family business meant that the work volume dropped because I was putting in less time and thought into gaining the all-important small jobs that traditionally grew out of bigger contracts."

"Further, having realised what was going on I was far too slow to act. By the time I stood firm, things were so bad that my main business was on the point of foundering."

"The family firm had been landlord to the other enterprise, and was also bearing nearly all the overheads and even supplying some of the staff. It was therefore no surprise that the new venture was making money at the expense of the older one, and also sucking the life blood out of it."

By the time Lloyd decided to cut his losses and get out, the stonemasonry business was turning over less than £100,000.

He sold his share of the new business for £30,000 and heaved a sigh of relief. He estimates that, altogether, lost earnings, additional overheads and payments for the redundancies that followed the episode cost him nearly £100,000. "It was a very low period. I felt I had been a total fool and this hit very hard."

"But now, two years after it all came to an end, I realise that the episode made me look hard at things and determine to improve my ways of doing business," Lloyd said.

Fortunately there was a white knight waiting in the wings. Charles Weh, the father of Lloyd's long-time girlfriend had recently retired from running a water management system company, and he immediately set about trying to right things.

Lloyd had the unpleasant task of making two long-serving employees redundant, thus reducing the male workforce to three plus himself, and then carrying out a full stock check at Weh's insistence. Weh also persuaded him to sell surplus unwanted stock and end his time-honoured practice of buying small pieces of stone he liked the look of when visiting a wholesaler because he thought they would be useful additions to his stock.

Weh also insisted that the huge collection of statuary and stone artefacts outside should be made the personal possession of Lloyd so that if the business foundered it might not have to be sold. He also introduced computers - which Lloyd still loathes - cash flow projections, and a new accounting system. He gave - and still gives - his spare-time services free of charge.

The result was that last year

after nearly two years of foregoing a salary and living off savings, Lloyd was able to start paying himself again. This year the overdraft slowly began to drop and he is thinking of taking on a trainee to join his three other men.

"Turnover this year should be about £120,000 and I am hoping we shall show a profit of a few hundred pounds," Lloyd said.

"I have learned a lot - particularly the wisdom of drawing up a full ledger agreement before entering into a part-

nership, even if it is with an old friend."

"However, the one thing I won't do is give up my ledger," he said. "The firm has a collection of written records going back to 1800 and I can easily open a ledger and look up details of jobs going back as much as 70 years."

"This can be very useful. Only a few months ago I had a chap come in who seemed very grand. He wanted a memorial, and hauled at paying a deposit, saying his family had traded with us for several gen-

erations, though he admitted old friend."

"We sat together and thumbed back through the ledger until we found the record of the job, 40 years ago. A neat note on the bottom of the entry in my grandfather's handwriting stated that these customers were slow to pay. The point was taken. Nothing was said, but he gave me a deposit."

Lloyd of Bedwyn, 91 Church St, Gt Bedwyn, Marlborough, Wilt SN3 3PF. Tel: 0672-870234

FT Ski Expedition/Arnie Wilson

The pre-war experience

Arnie Wilson and Lucy Dicker are attempting to ski every day of 1994 on a round-the-world expedition. They are currently exploring the mountains of New Zealand.

Last time anyone told me not to be afraid was 10 years ago when an instructor, Daniel Hansjacob, was about to take me down my first couloir in Val d'Isère. This time it was Arthur Tschopp, a 67-year-old Serbo-Croat and he was reassuring us about the hair-raising drive (reminiscent of some of our journeys in the Andes and Himalayas) to Awakino, New Zealand, in his ancient Land Rover.

Tschopp who learnt to ski on barrel staves in the hills above Zagreb (where he also died with death with the trans by tobogganing in the streets using ice skates to steer) is patron of Awakino club field, with the smallest membership in New Zealand (200).

He is also the latest member of New Zealand's One Ski In the Grave Club (open to 55-year-olds and over).

The Land Rover, made in 1950 and brought from Britain to New Zealand in the 1970s by a visiting Maori, makes a noise like a tug-boat. "It was perfectly all right until some hoodlums out possum shooting shot through the windscreen, and stole the carburettor, battery and drive shaft," explained Tschopp.

I managed to make a new drive shaft by cutting down an old one from a standard van-guard, and I cannibalised three carburettors to make a new one.

Arthur knows a thing or two about cannibals. He worked with them in Papua New Guinea in 1954, clearing up the havoc after 3,000 people were killed when Mount Leanington erupted. "I can work with cannibals. They are much less difficult than some of today's teenagers."

By now we have reached the Awakino ski lodge. Even

Tschopp admits it is basic. But he is such a gem we do not mind.

It is so cold that Lucy and I climb into our borrowed sleeping bags still wearing our cold-weather Degre ski suits. Outside, in this rarefied atmosphere the stars sparkle like a million snow crystals.

This, it occurs to me, is a skiing time warp. We are experiencing pre-war skiing; it is still happening today in New Zealand's club fields.

On our bedroom wall is an account of a skiing trip by children from Otematata School. Choice highlights include: "The ski instructors kissed us all goodnight (yuk!)" and "We all liked the times Mr Gulliver and Mr Gray fell over."

'It is so cold that Lucy and I climb into our sleeping bags still wearing our ski suits'

Lucy and I sympathised with Mr Gulliver and Mr Gray. We just could not get on with the "nut-cracker" devices used to attach yourself to the tractor-driven rope tows. (There are four at Awakino: Access, Ridge, Main and Learners.) I suffered quite a nasty rope-burn during my first attempt, and when we both finally got to the top of the mountain, snow conditions were among the most difficult we had experienced in almost 200 ski resorts.

It was the moment of truth for us as we started our tour of New Zealand's club fields. Like many of them, Awakino has no grooming. If we were clumsy in our attempts to get up, we were inglorious in our attempts to ski down.

"I guess this is just what it must have been like between the wars in the Alps," I said to Lucy. "I'm glad it's not like that any more," she said.

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Wonder of the age

Continued from Page 1

many people a century from now will look at them in awe and regard or consider the 1990s as an age of Titans. None compares to the Eiffel Tower in terms of pretension, or the Statue of Liberty in terms of moral statement. None will take its place as a Wonder of the World.

Oddly the most ambitious millennium project announced to date, the £150m Albertopolis plan for a regenerated museum village in South Kensington, looks like an early casualty, with one important participant, having off to do its own thing, a pedestrian piazza linking the Hall with the Albert Memorial. Along with the London opera houses and museums, Albertopolis is likely to lose out to such regional ventures as a rehabilitated flour mill in Gateshead, which aims to be the contemporary art centre of the north east; or the Lowry Museum in Lancashire; or the proposed National Gallery of Scottish art.

Here again there is nothing of real splendour. Anyone contemplating a giant platinum pyramid, an awesome bridge, or an inter-denominational cathedral-mosque, had better get their designs on paper quickly.

The commissioners are not really worried about the capital projects - they feel they will emerge inexorably, even if they are not quite as spell-binding as they would wish. What concerns them, and perhaps the government, is engineering a feel-good factor in the public. They are touring the country, touting ideas from

local worthies. John Major came up with one last month - a computer in every village hall in the land.

These meetings cause problems. The commissioners cannot solicit applications: they can only offer guidelines. Most people, if asked how they would spend £1.3bn (the commissioners are not yet accepting that the lottery will give them £1.6bn; they are probably holding back £400m for a grand finale in 2000), would say "devote it to cancer research, or at least arthritis" or "provide nursery schooling for all" or "modernise the transport system". But millennium money cannot be spent on areas where the government is already financially committed. Hence the hunt for brilliant new ideas.

The environment is certainly in favour - plans to replant the Caledonian Pine Forest in the Scottish Highlands, and to create parklands in derelict inner cities, have a winning look. Technology is an acceptable buzz word, and networks of local science centres, like that in the Smithsonian in Washington, stand a chance. Bursaries for foreign travel and education on the lines of the Rhodes Scholarships are obvious contenders.

But what the commissioners would really like is a mind-blowing grand idea - like the Open University. They might have to settle for hundreds of small ones. This village might get a clock; that a communal green. Certainly the aim is to spread the money around the land, especially if

local community groups join in with their time, labour and perhaps a little cash.

Disused railway tracks might be brought back to life; canals might be put back into use; Stonehenge might be turned into a national park; the Highlands might get a university; retreats for artists and writers and musicians might dot the land. The greening of Britain, with the planting of millions of trees, may capture the public mood. The imagination is encouraged to run riot.

The commissioners need help. Without the input of the people more and more of the cash might be siphoned off on the grand proposals just because they can afford consultants and influential appeal raisers and are ready to start. This is the opportunity for the common man to improve his quality of life.

The commissioners will look more kindly on plans to improve existence in Derry rather than London. They want to reach the people and places which have been left behind in recent years. They want to improve the image of the nation, now to future generations. Ideally, people in 2004 should be benefiting from the expenditure of the next five years.

The FT is playing its part by asking its readers for their suggestions. They must look forward to the next century and beyond, although no doubt the millennium will also be used for a stock taking of the past, a modern Domesday survey of Great Britain in the year 2000. The best ideas will receive prizes, although not to the value of £1.6bn.

HOW TO SPEND IT

Domestic interior design, like all the unspoken languages that are part of our social fabric, is subject to the whims of fashion, but the time-scale is happily much slower than in the world of fashions.

Few of us have the time, the energy or the money to change our houses or our interiors as frequently as we do our clothes and anyway it usually takes many years to put a home together.

Nevertheless, it is clear that a fresher, cleaner, lighter approach to the domestic interior is emerging. Last week at Decorex, Deccieland's

Natural life in Deccieland

Lucia van der Post surveys the latest trends in interior design

equivalent of the Paris catwalk shows and the event that no interior designer worth her chintz dare miss. all the new trends were on view.

The show itself grows better and better - displays and room settings are beautifully organised and full of inspiration for those looking for fresh ideas - so it is a great pity that last year's attempt to allow the pub-

lic in has not been followed up this year. Instead, the ideas will have to be filtered through the trade representatives who alone were allowed into the hallowed halls.

For those who are nervous of speaking to interior designers, fearful that they are going to be persuaded to spend large sums of money on bizarre obelisks and pecu-

liar tassels, the Interior and Decorators and Designers Association is there to help.

The IDDA offers lots of advice on how to get the best from interior designers, what they can and should not be expected to do and how to look after the costs. Its free leaflet is called *Why You Should Use an Interior Designer* (write to IDDA, Crest

House, 102-104 Church Road, Teddington, Middlesex TW11 8PY or tel. 081-977 1105).

If you have an empty room and cannot wait to know what to do with it, I asked two interior designers, Jennifer Sisson of JFS Design, Brundish, Suffolk and Lavinia Dargie of Dargie Lewis Designs, London SW6 for their views.

They spoke almost as one: natural is in. Jute, linen, cotton, silk are the "in" fabrics. Jute and sisal come in floor coverings (nothing new) but also in fringes and tie-backs. Out go iron-iron window treatments and an overabundance of paint effects. In come shutters, simple blinds and a more tailored look for curtains.

Traditional paint colours are very in. Those with little to spend can cool down and simplify the interior by re-covering cushions in pale neutral colours, and using throws to change the mood of sofas and chairs instead of going to the expense of reupholstery. Above all, if in doubt, keep it simple.

IKEA remakes Swedish history



The Svenskund sofa, a replica of an original late 18th century piece, £1,250

For those of us accustomed to thinking of Ikea as that nice inexpensive Swedish operation that would sell us some bargain-priced household furniture and accessories if only we could find the place, it is something of a turn-up to discover that it is selling elegant copies of 18th century Swedish furniture. Ikea has traditionally been regarded as that paragon of Scandinavian contemporary chic, so democratic, so respectful of the taste of the masses. The notion of it dealing in reproduction furniture is enough to send one scurrying to see what it is all about.

What we find is an instructive example of how reproduction furniture has become entirely rehabilitated by the taste police. Not, of course, any old reproduction and certainly not what the late Sir Paul Reilly, the first director of the Design Council used to call "reproduced repro", but reproduction furniture that comes with proper history and what in these circles is referred to in a hushed voice as "authenticity".

Some of us have never minded too much about authenticity, preferring to rely on something much more primitive such as do we like it? Would it look good in our house? Can we afford it? It has to be said that Ikea's selection of 18th century furniture, a style known as Gustavian, passes almost all the tests. And it has "authenticity" as well.

The hallmarks of the style are a simplicity which tunes in beautifully with the 1990s mood in furnishings - floors are stripped wood, furniture often of painted wood, the colour scheme is restrained, relying on muted blues, whites, greys and yellow for light. Fabrics are simple, often blue and white checks, simple cottons and muslins.

The overwhelming impression of the Gustavian interior is one of light, air and tranquillity. The pieces Ikea has developed, in conjunction with the Swedish Central Board of National Antiquities, are the props that will bring this vision to life.

Every piece was copied from one of the examples in a priceless collection of 18th century Swedish furniture in the old spa town of Medevi. Its future was under threat because of lack of funding until Ikea and the Swedish Board of National Antiquities struck a deal. Ikea would safeguard the future of the collection if it were allowed to produce faithful copies of the originals. Each piece has been made by following the methods used by Swedish craftsmen of two centuries ago and using materials that are almost identical.

For instance, hand-painted blue and white china is made in the same province of China as the original pieces from the same sort of clay. Glassware is mouth-blown and the results are so close to the original that the reproduction glasses have had to be engraved to prevent them being confused with the originals.

There is a wonderfully ornate and glittery chandelier, based on a 17th century version that hangs in an upstairs room at Sturehov Manor outside Stockholm. Then there are sofas, such as the one photographed above, side tables, bookshelves and chairs.

Prices seem excellent for the quality on offer - the most expensive item is the Svenskund sofa which is £1,250,



The Sturehov chandelier, based on a 17th century version, is made from solid polished brass and glass, price £350

while the chandelier is £350, the ladies' writing table is £320, the four-poster bed £320 (excluding the mattress). Look out, too, for some hand-carved gilded mirrors, with or without scones, at prices ranging from £59 to £295.

It is only available at Ikea stores at Brent Park, Wembley and Furlay Way, Croydon.

A new book, *The Swedish Room* by Lars and Ursula Sjö-

erg (published by Frances Lincoln, £20), is a beautiful evocation of that way of life. Here are uncluttered rooms, peaceful, comfortable, frugal, yet elegant. Light suffuses the spaces, well-proportioned houses are surrounded by quiet woods, unpainted pale floors gleam in the soft northern sunshine. It is a visual feast for those who aspire to these gentle domestic interiors.



Maryse Boxer at her own dining table. The large lay or serving plates with a richly-coloured inked majolica pattern round the edge are her Ballet Russe collection - small versions start at £19, the large ones are £35. The smaller plates in pink, green, blue or clear

edged with an intricate gold pattern are £20 each. The crinkly napkins are £17.95, straight glasses with gold embellishments, £10 each. The double gold-plated holder with glasses which can be used for champagne, candles or flowers are £125 each.

At the end of the table are three cast-iron trivets holding glass flutes used as vases for the flowers. Prices of the trivets with the flutes are £75, £95 and £95, depending upon the height. All from Chez Joseph, 26 Sloane Street, London SW1.

Serve a touch of creativity at your table

Maryse Boxer is a designer who has brought all her talents to bear on a small but fascinating area of domestic life - the table top. Originally a textile designer in France ("I was working with

Cacharel in his heyday") she then produced the colours for Dior's first cosmetic line, but all the while she loved collecting china and playing with table settings, writes Lucia van der Post.

When her husband's work

brought her to London she started experimenting with her ideas for tableware. "In the US there was a cheap and cheerful range of tableware called Fiesta-ware which came in lots of different colours and you could play around with different combinations and that was when I began to think about doing a range of my own."

To begin with she made modules in cardboard, playing with light, shape and texture - she would see how a matt small plate set off the contrasting gloss of a shiny one, how a round plate set on a bigger curvy one could enhance the interest. In both and how a smooth finish would provide a rich contrast with a rough one. She began to see the table as a creative outlet for every woman's domestic talents.

From having an original idea to a saleable product is usually a long and difficult step but when Joseph Ettedgui, the retailer behind the Joseph empire, said he wanted her to do a black and white collection for Joe's Café in Draycott Place which he was about to open, Boxer was off.

"I knew nothing about ceram-

ics - I had just fiddled about with these ideas on bits of cardboard but Joseph did not want to know anything about my manufacturing problems. I was on my own. It had to be ready for the opening and it was. Joseph started selling the range in his shop Pour La Maison. Barney's in New York saw it and wanted it. Then The Conran Shop and so on."

After her minimalist black and white range for Joseph she did Rainbowware - a brilliantly coloured range of cups on leaf-shaped saucers offering a huge variety of colour combinations - for Aroma Café. The trendy crowd who drink Aroma's coffee can buy the ceramics when they finish.

Since then her range has expanded to take in glass - champagne flutes which double as vases or candle-holders and drinking glasses and pale coloured plates, some of it made in Italy and embellished with gold-leaf. Then there are napkins - crinkled linen and polyester, completely washable and needing no ironing - and cups and saucers and plates of every size and in every mood.

Her main aim is to offer her customers choices. "I wasn't interested in designing just a glass. I wanted everything to be multimedia and multi-duty so that the table can be as personal and as creative a medium as the clothes that people wear. Everything I do is always hand-finished so that they are all slightly different. That is what gives the pieces life."

From this week the whole range of her wares can be seen in the basement of Chez Joseph, 26 Sloane Street, London SW1 where she shares the space with the furniture designer Carolyn Quarter-

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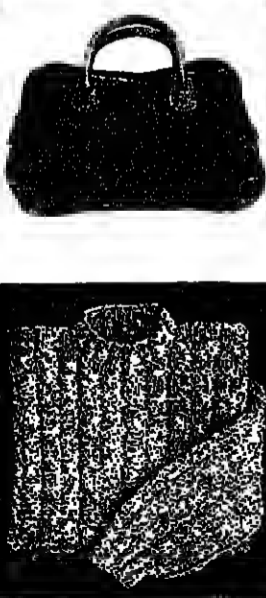
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FOOD AND DRINK

The making of a vintage brew

Giles MacDonogh travels to India to take tea - of the finest sort

When the sun breaks through the clouds you may catch a glimpse of the peak of Kangchenjunga from the terrace of the Darjeeling Club.

At 28,148ft, Kangchenjunga is the second highest mountain in the Himalayas. That is to the north, in the province of Sikkim. Darjeeling is still called hill country, although the hills rise to a dizzy 7,000ft.

These hills are remarkably fertile. Waterfalls spout from every crag. Occasionally, the sheer slopes are splashed with the multi-coloured saris of the Nepalese women who earn a crust by picking tea.

Making great tea is not so different from great wine. For grape variety read tea bush. The best of all is the China bush, brought to Darjeeling by the first planters 150 years ago.

Then there are China clones, Assam bushes and Assam clones. The Assam bushes will give you a much briskier, more tannic cup, but they will never have the delicacy of great Darjeeling.

The leaves are withered before they are dried. This process removes the excess moisture in the leaf and begins the biochemical transformation. Correct withering is crucial

to the quality of the tea. If the tea garden takes trouble over the wither, it will preserve the green-leaf character in the China bushes; it is this which gives certain top quality Darjeeling teas that rainy, muscatel aroma.

Following the wither, the juice is extracted by rotating presses and allowed to ferment. The leaves are then dried. But, here again, great care must be taken: if the heat is too great the juices caramelize, giving the tea a noticeable malty taste.

Like vineyards, each tea garden has its own character. There are 93 in the hills of Darjeeling, plus another 44 down on the Terai, or plain.

Terai tea is mostly big, black stuff made by the highly extractive CTC process, although there are a few estates, such as Nuxal Bari, which produce a wonderfully refreshing green tea. Real quality, however, comes from the hills.

About 20 miles south east of Darjeeling town is Goomtee.

where the south-facing slopes rise to around 4,000ft.

At Goomtee they are at pains to separate the different varieties of bush and process them apart. A good, second flush Goomtee, where the highly prized shoots have accumulated more sap in their slower growth, often has a fruit aroma: peaches or mangoes.

On the other side of the valley is Jungpana, one of the most sought after teas in Darjeeling. Jungpana is astonishingly remote: there is no road, and the tea needs to be brought over the valley to Goomtee before it can be loaded on lorries.

When I was there in June, some leopard cubs had been seen among the tea bushes, leading the pickers to conclude that an anxious mother would not be far away.

Second flush Jungpana has a cult following in Germany, and the garden's favoured customers have convinced them to stop using pesticides on the bushes.

In general, the move to organic farming in Darjeeling is greeted with relief among the tea traders of Calcutta. The widespread use of nutrients in the past has overworked the region's thin soils.

If the Germans appreciate the mellow, walnut flavour of

Jungpana, they are also the principal fans of the much more robust teas of Seeyok, a stunningly beautiful estate south west of Darjeeling.

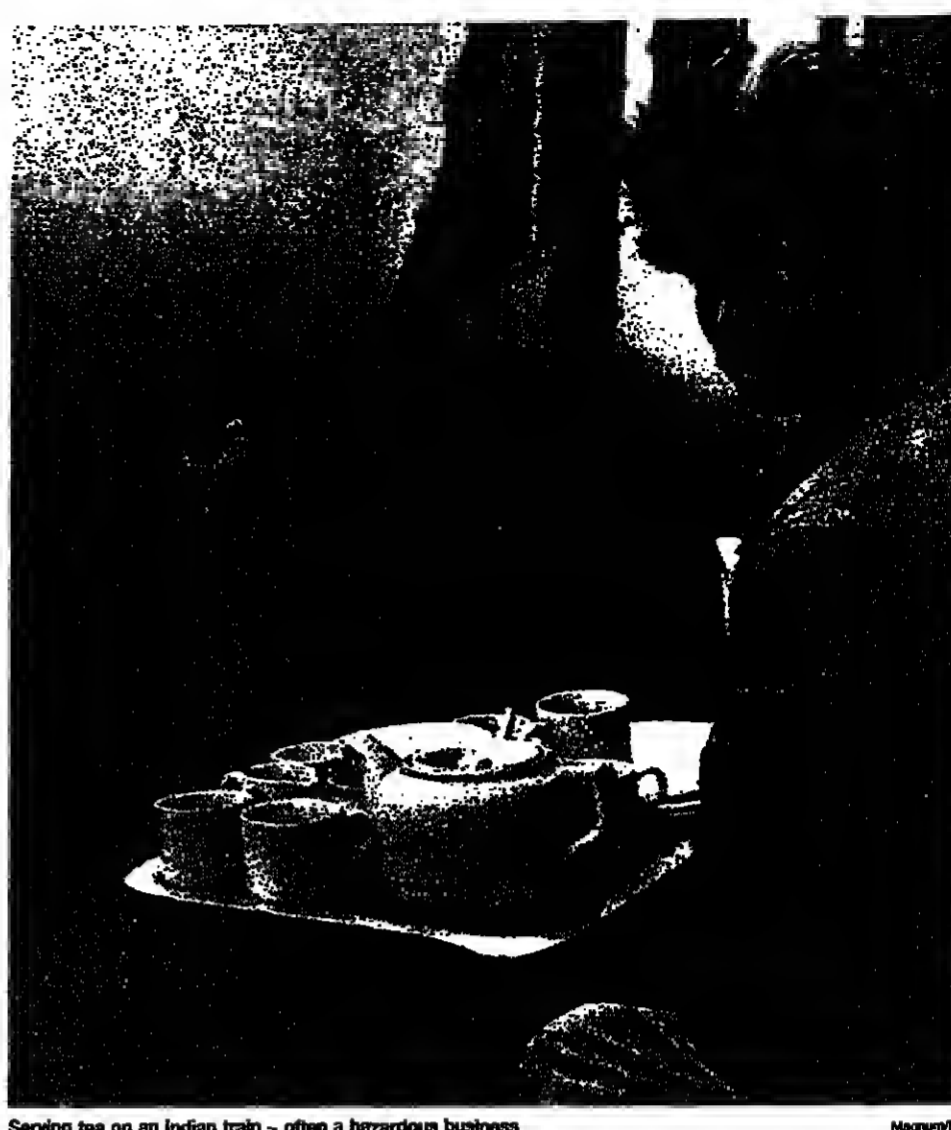
Seeyok was fully embraced organic methods now that three quarters of its production goes to Germany. The bushes are not separated out, however, and the garden is dominated by Assam hybrids, giving a bigger, more powerful tea which has none of the delicacy of Jungpana.

Under the same ownership, and just across the river, is Selimbong. As the teas here tend to walk out of the factory doors they are less in a hurry to go over to organic farming.

The second flush teas from Selimbong are among the very best Darjeeling has to offer. There are no Assam bushes here and the style is the purest China in all its delicacy.

Darjeeling tea is very similar to great wine. It is produced by a combination of the right plants; the right soil and the perfect exposition. But these geographical factors are not enough in themselves: there must also be sufficient attention paid to the production.

Heavy-handedness in processing the tea can rob the leaves of that essence which expresses Darjeeling's landscape and the clean, crisp air of the Himalayan foothills.



Serving tea on an Indian train - often a hazardous business

Magnum

Fine teas: reader offer

Good tea is expensive. Few Britons are prepared to pay the price of obtaining top quality single estate teas, which are eagerly snapped up by the more discerning Germans and Japanese.

Consequently, the more interesting high-quality teas rarely find their way to British supermarkets and only occasionally will you find a tea such as Seeyok in even the best small grocer or delicatessen.

As a concession to Weekend FT readers, Newby Teas, a London tea importer, will provide the first 200 callers with a 100gm caddy of each of the following: second-flush Darjeeling (from Castleton and Jungpana), Oolong Peach Blossom (Formosa) Ceylon Uva (Aislabey) and second-flush Assam (Bukhal).

The price, including post and packing, will be £20 (mainland UK only). This compares with a normal retail value of £50. If you wish to take advantage of the offer, call 0800-136662 or fax 071-490 0405. Newby Teas, of Northburgh Street, London EC1 4NH. Payment will be by cheque or credit card.

There will be an extra postage charge for readers outside the UK. Readers outside the UK should call 071-335 7033. Do not ring Weekend FT direct.

Cookery/Philippa Davenport

Comforts of autumn

POTATO PIE WITH GREEN HERBS

(Serves 6)
Potatoes and poultry sound too heavy by half, but this combination is more refined than it sounds: it satisfies but does not stuff you solid. Serve it tepid or, better still, just cold; indeed, it is recommended with cold roast game birds after cups of hot consommé at shooting picnics. Lemon-and-herb grilled chicken thighs and sautéed duck breasts are other meaty alternatives. Use the lovely old English potato called Pink Fir Apple if you can.

Ingredients: 1½lb waxy potatoes such as Pink Fir Apple, La Ratte or Charlotte; 1-2 garlic cloves; a bunch of parsley (preferably flat leaf); a bunch of thyme; 12-14oz puff pastry (made weight); 1 egg yolk beaten; ½pt double cream.
Line a shallow 8½in flan tin with just over half the pastry. Peel and slice the potatoes

thinly and chop the garlic finely. Mix them together with plenty of pepper, some salt, 6 tablespoons chopped parsley and 1½-2 tablespoons fresh thyme.

Pile the mixture into the tin. Cover with the remaining pastry, damp the edges, seal and trim. Knock up and scallop the sides and decorate the top. Beat the egg with the cream and glaze the pie with some of it. Make a steam hole in the centre of the pastry lid and insert a piece of rolled card to hold it open.

Chill the pie for 20 minutes, then slide the tin on to a hot baking sheet and put it into an oven heated to 400°F/200°C (gas mark 6). Turn down the heat immediately to 375°F/190°C (gas mark 5) and bake for one hour until the pastry is puffed up and brown and the vegetables feel tender when pierced with a skewer.
Pour the rest of the egg-and-



cream mixture carefully into the pie. Discard the funnel of rolled card and bake for 10 minutes more. Cool the pie to tepid or let it become just cold before serving.

APPLE AND ELDER

(Serves 6)
On September 29, according to country lore, Lucifer spits on blackberries to spite his rival, St Michael the Archangel, whose feast falls on that date.

Time to cook apples with hedgerow elderberries instead. These tiny, jet-black fruits have their heads heavily like Victorian beads when fully ripe. The taste of them is dark and mysterious: slightly sharp and cloying, rich and pungent (a world apart from the Muscat subtlety of elderflower blossom) and excellent for Sunday lunch puddings such as this.

Pick far more than you think you will need, as the fruit must be stripped from the stalk with a fork before weighing - and the stalks are surprisingly heavy.

Ingredients: 1½lb cooking apples; 10oz elderberries (weighed after stripping them from the stalks); the juice of 1 lemon; shortcrust pastry or puff pastry made with half a pound of flour, beaten egg to glaze; ½lb caster sugar; ½ pint creamy-strained yoghurt or fromage frais or a mixture of the two.

Peel and core the apples and put them into a bowl of water with the juice of the lemon to keep them white. Put the apple cores and peel into a saucepan with 5oz only of the elderberries, add 6-8 tablespoons water, cover tightly and simmer for 20 minutes, crushing the ingredients with a potato masher occasionally. Remove the lid and cook for about 5 minutes more to drive off some of the liquid - but take care not to burn dry.

Tip the contents of the pan into a sieve placed over a bowl and press to extract all the flavoured pulp and juices. Sweeten the purée with 1oz sugar. When cold, stir in the yoghurt and/or fromage frais gently, and refrigerate.

Line a nine to 10in pie plate with half the pastry. Dry the apples, slice them and toss them with the remaining 3oz sugar and the rest (5oz) of the elderberries. Heap the fruit into the pie plate. Cover with a pastry lid. Seal, trim, decorate, glaze with beaten egg and make steam slits.

Bake on a hot baking sheet at 400°F/200°C (gas mark 6) for 35-40 minutes. Serve hot with the well-chilled sauce.

Munich Oktoberfest

Balmy nights, barmy place

Munich's Oktoberfest is not for the faint-hearted. The beer is excellent, and so are the spit-roasted chickens, grilled pork with crackling, charcoal-grilled fish, salt-studded pretzels and sugar-roasted almonds. But the crowds can be intimidating and the noise overpowering.

The promise of some of the world's best beer, plus the garish funfair attractions and stomach-churning rides - not for trying, or even watching, after downing the odd litre - draw more than 6m people a year to the field where the world's largest beer festival is held over two weeks from late September. (This year's ends on Monday, having been extended by a day to include that day's German unification celebrations.)

Organisers of such events love to parade statistics about the vast quantities of food and drink consumed. Those for the Oktoberfest are formidable: 5m litres of beer, 733,000 chickens, 224,000 pairs of pork sausages and 80 oxen.

When the weather is warm, as it often is at Oktoberfest time, the beer goes down with an extra relish, its 5.5 per cent alcohol content giving it more of a kick than Bavaria's normal brews. Munich's six main breweries - Augustiner, Löwenbräu, Spaten, Hacker-Pschorr, Hofbräuhaus and Paulaner - have their own huge beer tents, with brass bands blaring out oompah music to the swaying drinkers, striving hard to sing, talk or retain control of their senses against the onslaught of noise and alcohol.

On hot days, the best bet is to sit on the benches outside the tents and enjoy the sun. By midday at weekends, most seats have been filled, serious drinkers (some already the worse for wear) mingling with toddlers and grannies.

After a couple of hours of this, sated with beer and barmy but tasty Bavarian food, the crowds can become too much. When you can hardly take two steps in any direction without being jostled by the mounting influx of people, it is time to go home. The big wheel, dogdodgers and wildwater rides can be left for another time - or for those with tougher constitutions.

But most people love it just the same. Those living in Munich try to go at least once a year, often paying with beer and food vouchers handed out by their employers or local companies. Since the beer costs nearly DM10 (£4) a litre this year, these are highly prized. Foreigners have discovered the Oktoberfest in droves. Italians, Australians, New Zealanders, Japanese and

Bavarians certainly greet each year's Oktoberfest with gusto. On a balmy evening, sitting outside with blue and white lights strung overhead, the world seems to have little wrong with it. As more and more youngsters stream on to the scene, with groups sharing a *Moss* (litre) or two among them, the atmosphere is cheerful rather than menacing.

To anyone not steeped in the Bavarian dialect, the jokes shouted out from along our bench by the well-oiled visitors from the country were almost incomprehensible - even my Munich-born wife had to struggle to understand them. Why was I so quiet, they asked. They accepted the excuse that I was a foreigner in two senses of the word, non-German and non-Bavarian.

At least, I was drinking Munich beer. As an antidote to communication failures, it is almost unrivalled. With anything less thick than a rural Bavarian accent, the alcohol can also act as a very effective, if short-lived, conversational lubricant. After a time, it makes no difference anyway. The beer does its own talking.

Andrew Fisher



Louis Latour

During the month of October, enjoy a selection of Vins de Bourgogne at Searcy's Brasserie, Level 7, The Barbican Centre, London EC2.

Tel: 071 588 3008 for reservations

For the first year since 1990, when the long, steady increase in London wine auction prices was halted, Christie's and Sotheby's increased their turnover in the 1993-1994 season. Christie's total sales rose in the UK from £5.6m to £7.4m and Sotheby's from £2.38 to £2.62m.

The year-end figures were helped by exceptional sales. Sotheby's, which has generally restricted wine auctions to the UK, achieved a substantial addition by the sale in Germany of the Thurn and Taxis wines that yielded £363,000. In June, Christie's held the largest ever private-cellar auction. It belonged to Dr Remington Norman, a former member of the wine trade and an author. With buyer's premium it yielded £1.5m, and some prices of leading wines well exceeded their normal market level - £5,900 for a case of Mouton Rothschild '61 (£4,200) £5,000 for Latour '61 (£4,000) and £720 for Taylor '83 (£300). These obviously had some

Wine auctions
Good for buyers, less so for sellers

affect on the accompanying average top 1994 first-growth and vintage port tables.

Far East wine buyers were prominent in Sotheby's June auction. To commemorate the company's 250th anniversary, Philippe de Rothschild had given four uncommonly large bottles of Mouton-Rothschild: one Jeroboam (six bottles) of 1945 that fetched £14,250, and three Nebuchadnezzars (15 bottles) of 1975, 1982, and 1990 that made £9,900, £13,750 and £12,650 - much higher than the estimate. They were bought by a far eastern bidder.

Sotheby's does not provide an analysis of its annual wine

sales, but Christie's, in its King St auctions, increased the average lot value from £391 to £483. Overall in the UK it slightly upped the percentage of lots sold from 90 to 91 per cent. On the other hand its overseas sales were well down, as it gave up US auctions that last year had yielded £2.6m; (see Antony Thorncroft's story below).

The accompanying table shows the average highest London auction house prices between 1990 and 1994 of first-growth clarets and vintage ports.

Figures in the first-growth table, which omits Petrus as its sale prices are so much higher than the others as to distort the averages, have risen

above their previous peak in 1990 - without taking account of inflation.

Among the nine other most prominent classed-growth clarets, recovery in prices began more markedly in 1993, with less advance this year. Apart from the increasingly rare '61s, the most sought-after vintage is '82, while '83 and '85 are probably under-valued. Although the '88s and '90s will be increasingly popular vintages, their initial prices were so high, and the quantities made so ample, that their sale prices may depend to a great extent on inflation.

The sad wine, traditionally bought for long-keeping or investment, is vintage port. The average top auction price

First-growth clarets		
Vintage	1990	1994 (Jan-July)
1961	3507	3817
1970	853	965
1982	908	1073
1985	402	445
1988	443	632
1989		617

Christie's, Cork, Cork, France, Gagneux, Mouton, Taylor, Vins.

In calculating average top 1994-claret auction prices, those of whether a wine had not been auctioned in that year, and whether a vintage had not reached the vintage.

Source: Edmund Penning-Rowell

this year is still below the 1990 level, although there is a clear difference between Fonseca, Graham and Taylor and the other five leading ports. The three have been showing some price life, but nothing to compare with the quality and the original price of great vintages such as '63 and '77.

Assuming that the pace of economic recovery is mirrored in the wine saleroom, the current period may be looked on as good for buyers, but less so for sellers.

Edmund Penning-Rowell

Sotheby's looks to \$1m sale

For all its louché image, New York can still show a puritanical streak, most notably over the trade in liquor. No retailer can own more than one outlet for selling wines and spirits and, until this year, wine auctions were forbidden in the city. The New York Liquor Board bowed to heavy lobbying from the retail and wholesale trades, which did not want a cosy duopoly threatened.

So next Saturday is something of an occasion. Sotheby's, in co-operation with Sherry-Lehmann, which owns a well-respected liquor store on Madison Avenue, is holding its first sale in New York, and expects to raise more than \$1m from almost 1,000 lots of wine.

Oddly enough, Sherry-Lehmann was one of the fiercest opponents of wine auctions but it is under its licence that Sotheby's is conducting

the auction in its York Avenue premises.

There is plenty of wine to sell on the East Coast. The Americans were enthusiastic buyers of wine during the boom years of the 1960s and now that prices have recovered from the post-1980 slump there are many well-stocked cellars ready for thinning.

Unlike London, where auctions concentrate on the wines of Bordeaux and, to a lesser extent Burgundy, New York will also offer Californian wines: included in the first sale is an Imperial of Caymus "Special Selection" Cabernet Sauvignon 1986 estimated at up to \$1,300.

It comes from the cellar of Sam Kaplan, a noted Manhattan lawyer, who has consigned almost 375 cases of wine, including the much sought-after Cheval Blanc 1982, with a case estimated at up to \$2,200.

Even older wine comes from the cellar of John Packard and his father, the late Frank Packard, who, along with Alexis Lichine, André Simon and Frank Schoonmaker, is credited with popularising top quality French wines in the US. The wines have been stored at extremely cold temperatures and Sotheby's reckons they taste "young and vibrant". A case of the 1923 Chateau Lascombes carries a top estimate of \$3,000.

The Americans have lost their enthusiasm for oddities. In the 1980s an American collector, or merchant, (often the late Malcolm Forbes), could be relied on to bid thousands of pounds in the London auction rooms for some undrinkable 19th or even 18th century bottle. It helped if it had once belonged to Thomas Jefferson. The wines were placed in the windows of shops or graced wine lists. They were never

meant to be drunk.

One reminder of those dead days appears in the Sotheby's auction - a magnum of 1870 Chateau Lafite which carries the label of Glamis castle in Scotland, the home of the Queen Mother. The magnum was sold at Christie's in 1971 and was reworked at the Chateau in 1991. It is said to be very drinkable: "For the wine lover who wants the ultimate experience," oozes the catalogue. It can be yours for approaching \$20,000.

Sotheby's hopes to bring in \$5m a year from four auctions in New York and has already scheduled the next sale for February 4. Christie's, which holds more auctions and brings in more turnover than Sotheby's in wine, is watching closely. If it can find the right New York partner it will certainly enter the field soon.

Antony Thorncroft

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PERSPECTIVES

Lunch with the FT

A house-trained polecat and a gentleman

Lucy Kellaway enjoys an old-fashioned English meal in the company of the 'Chingford skinhead'

When I told people I was having lunch with Lord Tebbit, some commiserated, others forecast a stimulating occasion with a clever and amusing guest.

The former Tory party chairman and loyal keeper of the Thatcher faith is a man no one feels neutral about. He has been called the Chingford skinhead (he was MP for Chingford), a rottweiler, a semi house-trained polecat. He is also known as a politician with the rare ability to speak directly to the mass of the British electorate.

He had chosen to meet at Rules, in Covent Garden, central London, a restaurant that serves soup with lumps of Stilton in it and Yorkshire pudding the size of your plate.

I arrived early and was just reflecting that this was the perfect place for a jingoistic Briton, when a thin bespectacled man slipped into the seat beside me, quietly apologising for being a moment or two late. Small and modest, this was not the person I thought I had asked to lunch at all.

Eying him as he studied the menu carefully, I asked if he was a foodie. "Yes I am," he said. End of conversation. He then commented on how much he liked the menu's headings, "Furred game", and "Feathered game". When I recoiled he said that there was nothing wrong with "Bugs Bunny in the pot", and claimed he was happy to "shoot, pluck and clean".

The waitress, who seemed not to know him from Adam, appeared to take our orders. True to form, he chose the Stilton soup, but followed it with salmon in a fancy shellfish sauce and chose half a bottle of Australian chardonnay of the sort you might associate more with Islington than Essex.

I told him that his secretary reckoned he is whined and dined too much - Claridge's one day and the Savoy the next. "Yes I do eat out quite a lot," he said. Persisting, I asked if he enjoyed all this high living. "I think I just enjoy my life anyway. That's the key to it."

This was getting desperate. Each word was separated from its neighbour, delivered in a quiet monotone. Indeed, the volume was so low that had we not been almost the only diners in the place - he had requested lunch at 12 - it would have been hard to make out what he was saying at all.

He explained that the reason for the early hour was that on Tuesday afternoons he recorded a TV chat show for Sky television with Austin Mitchell, the former Labour MP.

I asked if he was happier asking the questions than answering them.

"I don't know really, they are both jobs," he replied. Which did he think he is better at? "It depends on the circumstances."

I am sure Lord Tebbit did not mean to be unhelpful with these staccato answers. Unlike many politicians, he evidently feels no need to project himself as anything other than a regular bloke, neither does he believe in talking for the sake of it.

We started to discuss television more generally, and for the first time the flesh and blood Lord Tebbit started to resemble the mythical one. He deplored the quality of modern drama and comedy, saying that nothing comes close to *The Two Ronnies* of 30 years ago. I mentioned the *Monty Python* repeats, and he looked sour. "They were the beginning of a culture that says if you

deal of discipline. Does he believe that children should be hit when they misbehave? I asked the question, confident of his reply, and he did not disappoint me. "Yes," he said. "Yes I do."

I remember the last time I hit my younger son. He was about 16 at the time. After I had hit him, he looked at me, picked me up like a baby and said, "there, there daddy". I realised I had lost that particular battle.

The waitress brought the food and he started to eat, slowly and carefully, leaving the vegetables to one side.

I asked how he was enjoying his new life as a non-executive director, journalist and politician rolled into one. "It is like a badly chosen Chinese meal," he said. "Quite tasty but seems to lack a central theme."

This was not the standard response from a former cabinet minister. Most pretend that life on the sidelines is fun, but Tebbit does not go in for such face-saving nonsense.

"I would rather be taking decisions and implementing them than be part of a consensus-forming mechanism," he says flatly. "But that was a different life."

His present political role - which consists of attacking the government on Europe, Ireland, crime and anything else that gets up his nose - is apparently not to his liking. "Politics is a thing I've tried to give up many times," he says. But he seems constitutionally incapable of taking that step.

"I feel angry when I see things happening that are quite clearly going to happen, particularly when I had warned they would happen. Then I comfort myself by thinking: I may feel that way, but what on earth does the former prime minister feel?"

I asked if he and Lady Thatcher get together frequently for mutual hand-writing sessions. Politely, he put me right. "She's not a hand-writer. She's more likely to be a neck wringer. I'd join her there."

He declined a pudding on the grounds that he likes his main meal with his wife at night, before they settle down and watch *News at Ten*. I had had my eye on the dessert, floating islands, but decide not to indulge on my own. "I've saved your virtue," he said, without irony. In his world, ladies have virtue and gentlemen should defend it.

So far Tebbit had said little to justify his skinhead image. I asked how he felt about being described as a "semi house-trained pole cat".

As I said the words he beamed with pleasure. His plain speaking, he said, had been helpful in getting his views across. "It happens to be in my nature anyway."



usa four-letter words everyone is meant to fall around laughing."

He then started on television violence. "Kids learn how to behave the same way as dogs. They imitate the other ones in the pack. The pack they see most of is television."

From here it was a small step to the woes of the British educational system. He told me a story about meeting a woman when he had been on holiday in Barbados a few years ago. She had grown up in Britain, but had returned to her home country because she did not want her children educated in an inner London primary school. With my child just due to start at such a school, I said that perhaps things were not as bad as all that.

He grudgingly agreed that some progress had been made "over the - unfortunately not - dead bodies of the educational establishment". He laughed a little at his remark. I laughed a great deal. Whatever you think of the views, the rottweiler delivery is terrific.

He started to talk with pride about his grandchildren, who, he said, were being brought up just as he brought up his children. This appeared to have involved a good



Norman Tebbit: whatever you think of his views, the rottweiler delivery is terrific

I tried to extract more plain speaking by asking him about the progress of the new Tory party chairman. He declined to take up the invitation, preferring to attack his party's lack of direction. "The government has too many issues on which it is facing in two ways at once. We have a very tough line on crime, but the prime minister personally intervenes to get two girls out of jail in Thailand on a drugs charge. Kids whose behaviour is thoroughly anti-social get rewarded with lovely holidays, whereas kids whose behaviour is good and decent don't get rewards at all."

"On Europe we lean two ways at once: we want to be more closely integrated with Europe, but do we want a two-speed Europe or not? Are we an interventionist government in industry or not? Where do we stand on the union of Northern Ireland?"

He starts to reminisce about his old job as party chairman, and tells me that he was the "destroyers" screen that protects the captain's ship from attack. Everything is quite different now, he said, pointing out that that particular role does not exist. "The prime minister is a very modest man, and I'm not sure if he regards himself as a captain of the ship in that way."

This did not sound like a compliment, neither was it softened by his insistence that he has "a good deal of affection" for John Major. The greyness of today's political figures is part of a wider problem, he explained. "Huge mountain ranges never disappear in volcanic

explosions. They get ground down by glaciers and wind."

"What?" I asked, querying this departure from plain talk into grand prose.

"The Commons is in the process of being eroded because its power is going away," he went on. "Power has gone to the executive. It has gone outside to market forces, and now is going to Brussels."

There followed a long, committed speech about the nature of federal power in the middle of which he mentioned "an American with the unfortunate name of Clint Bolick". I smirked; he said it was "not lady-like" to laugh.

He told me that he had not always been an anti-federalist. As a pilot in the 1950s he had more in common with his international fellow pilots than with folk at home. He told a story about a night he and the lads got drunk and how he planned to swap places with a Scandinavian pilot who looked the same and who had the same number of children of the same ages.

He glanced at his watch and said he must go. Apropos of nothing, he laid into Douglas Hurd, the foreign secretary, as he went. "He's not a foreign office secretary but a senior foreign office official," he said, and started ranting about people who live in houses with long front drives. "Those who have long front drives tend to be out of touch," he said standing up to leave.

I would be intrigued to meet his Scandinavian double if he is out there, perhaps he would agree to have lunch with the FT one day.

Save me from Healthspeak

Michael Holman feels patronised by the language of Medical Correctness

Save me from Medical Correctness. Protect me from Healthspeak. Deliver me from the well-meaning lobby that seeks to bowdlerise and sanitise the language of illness and adversity.

Let me declare an interest. I have Parkinson's Disease. Cabin staff on airlines size me up in seconds. I make for my seat, unsteady on my pins, stumbling over the odd word, and displaying that tell-tale tremor. "What have we here," they seem to say. "He must have drunk half his fare in the Club Class lounge. One turn at the drinks trolley, and that's his lot."

I can cope with this. Wear a black armband, is my advice to fellow tremblers. The crew will then assume that you have been drinking to ease the pain, and proceed to press double whiskies on you.

And our do I mind taxi drivers who look the other way when I try to flag them down, as I stumble out of my office late at night. They suspect that I might bring up the one-for-the-road in the back of their cab.

But what I cannot abide is Medical Correctness, its patronising language, and its Orwellian overtones. Is there a reader with a heart so hard that they were not moved to laughter, or at least an incredulous snort, when they read that the Spastics Society is to call itself Scope?

Any day now I suspect the Royal Society for the Blind will call itself Vision, and the Parkinson's Disease Society will rename itself Horizon. Or possibly Horizons!

One can accept the concern that spastic has become a term of abuse; perhaps there is a case for a change of name. So why not the Cerebral Palsy Society?

This is dismissed as "an easy and obvious step" by the society. The term cerebral palsy is "limiting, medical and rather ugly and old fashioned". Scope, on the other hand "carries a degree of weight and a feeling of progress and some other positive associations: opportunity, liberty, elbow room etc". The public relations campaign to replace its universally recognised brand name by this vacuous alternative will, by the way, cost £750,000.

I fear the malaise is spreading. The Parkinson's Disease Society is also tampering with language. Please do not refer to people with Parkinson's as "victims", or describe them as "afflicted" by a "crippling" condition, wrote the society's press officer in its newsletter last year.

These words were "judgmental", and bad for morale, readers were told. They made us tremblers feel "helpless, bitter and unattractive". You should not say that someone "cannot walk", instead say "uses a wheelchair".

This suggestion did not go far enough. I wrote in a facetious letter. "Words such as crippling are not only judgmental, they are descriptive - two disquieting fea-

tures of far too many words and phrases in the English language."

"Clearly it is profoundly offensive to say that someone 'cannot walk'. But to say instead 'uses a wheelchair', as the newsletter suggested, is unacceptable," I argued. "Let us use the phrase 'enjoys enhanced mobility to a seated position'."

Alas, my letter backfired. The society thought I was serious.

But I will return to the fray, for the society recently launched what it calls an awareness campaign. Its theme suggests that the society's left hand does not know what its right hand is doing...rather like Parkinson's Disease, come to think of it.

The newsletter describes how the television advertisement "shows a footballer striking the ball into the back of the net...fans erupt in a sea of scarves and flags...cameras cut to a solitary figure who makes a stark contrast to the animated activity around him...it depicts the vivid and compelling eyes of someone with Parkinson's Disease, looking out from a face which seems to be carved out of stone. Parkinson's has turned this person into a statue."

Well, it does not do much for my

'Any day now I suspect the Royal Society for the Blind will call itself Vision'

morale, I can tell you. If it raises awareness, however, and gets research funds rolling in, I'm all for it.

But the society cannot have it both ways. If it does not want Parkinson's to be called a "crippling" disease, it should not use a face of stone-like immobility as a shock tactic to elicit sympathy.

Drop the euphemisms, because they do not help. They do not fool the sick, and they mislead the healthy.

Sufferers and victims, blind and crippled, let us raise our canes, rattle our Zimmer frames, roll out our wheelchairs, raise our voices, and together cry: "Down with Healthspeak! Away with Welltalk!"

And speak up yon silent masses, who are sound in mind and limb, heart and mind. You may be inhibited for fear of being thought intolerant, unsympathetic or insensitive - but it is your language that is being tampered with.

Beware the day when Medical Correctness triumphs, and "able bodied" and "healthy" and indeed, "fit as a fiddle" will be words that incur rebuke.

"How are you feeling," your GP will ask. "Not physically challenged, thanks doctor."

Medical Correctness is motivated by compassion, but seized by a dangerous illusion: that if you change words, you change reality.

Truth of the Matter
The ghosts that lie concealed

Nigel Spivey on a power mightier than the pen

Beauty does not qualify you as a novelist. Dame Iris Murdoch will take no offence if one describes her appearance in terms of elderly grunge. Her husband, Booker Prize judge John Bayley, matches her aptly with his professional bagginess.

Why should the essentially cerebral, hunched and private business of writing demand painted nails and trim thighs? And yet there is no doubt that an aura of pulchritude helps.

Joanna Trollope is on view in every bookshop window, in a misty vignette of bloude allure. Donna Tartt pouts on her dust jackets like the classic *belles dames sans merci*. Downmarket, Jackie Collins oozes ripe glamour; upmarket Anita Brookner is fading, but still has the air of an arch schoolmistress at whose feet one would gladly sit. And as for Jilly Cooper - her conversant girly radiance beamed above the frightful scrummage that is *The Spectator's* annual party: she slew me with a wink.

Since looks sell books, it is not surprising that the superlative of all supermodels, Naomi Campbell, should have become an author. Such is the trivial-

ity of modern popular culture. What has unnerved the literary establishment, however, is the extent to which Naomi Campbell has dedicated herself to writing. According to one slur, her publishers at Heinemann had to send her a simple 250-word synopsis of her novel, *Swan*, in order that she might be able to tell people what it was about. Not because, in the flux of creative energy, she had become over-absorbed in her plot and her characters, but rather because the story, in fact, was effectively composed by someone else.

Well, ghost-writing is nothing new. It is an odd variation of getting the school swot to write an essay for you, but no great calamity attaches to the process. It is generally known, for example, that whenever the reader of Margaret Thatcher's memoirs comes across a flash of wit, or a nice turn of phrase, then one of her several ghosts, John O'Sullivan, is revealing his hand. Dolish sports personalities, too numerous to mention, have always relied on spectral scribes; royalty, film stars and rock singers likewise.

If one describes ghosting as a form of collaboration, it begins to look rather respectable. It is



Publishers are happy to have the likes of Naomi Campbell on their lists

rarely revealed how far the verses of Keats - a paradigm of isolated, hermetic genius - were altered or "improved" by his friends: the progress to "fair copy" of his long poem *Isabella*, for example, is strewn with corrections and interpolations from an unnamed associate called Richard Woodhouse.

John Stuart Mill's posthumously-published *Autobiography* is reckoned to have had, technically, no fewer than

seven authors (primarily his wife, Harriet). The first-page pieties of thanking spouses for support probably conceal masses of ghost-writing; and there is scarcely a book in the whole of English literature which will not have been in some way shaped by its printer, publisher or editor.

Not to mention, of course, those cases of literary association that obscure pure authorship. How much of Conrad's



Margaret Thatcher: the ghosts reveal their hand

work was done by Ford Madox Ford? Which of Wordsworth or Coleridge was the more responsible for *The Ancient Mariner*, and of Eliot or Pound for *The Waste Land*? And did Bacon write Shakespeare?

The cult of the author is a powerful force: the local economy of Stratford-upon-Avon will collapse overnight if it is ever demonstrated that Bacon ghosted the Bard. Even when we know that an author such

as Homer can never have existed in any proper sense, we still like to cherish an image: blind, old, wise Homer, who would have a cottage to visit if only we could find it.

Knowing who wrote a poem or a story is, for many people, crucial to whether or not they like it; no wonder the Sunday supplements like to tell us what Peter Ackroyd has for breakfast, and publishers are so happy to have the likes of

Madonna or Naomi Campbell on their lists.

But in a wider philosophical context, it does not matter whether young Naomi Campbell wrote a story called *Swan* or Nigel Spivey wrote it for her.

As French literary theorists would put it, there are no such things as authors, only "author-functions".

Authors, as names in a catalogue, are useful for christen-

ing a particular discourse, or placing some historical constraints on what their stories might mean. But ultimately their own intentions belong to oblivion. The supermodel author and her ghost are equally bound to be effaced.

The discourse of the novel belongs to greater powers than an individual can wield: social systems, institutions and customs rule us all, including the literary genius.



Tony Andrews

OUTDOORS

For those fortunate motorists allowed by their employers (or accountants) to drive cars in the luxury class, it has been quite a week.

First, a new Range Rover to replace the 24-year-old classic that began life as a dual-purpose vehicle for farmers and is now put forward as an alternative to a Mercedes-Benz S-Class, BMW 7-Series or a Jaguar. Second, a new Jaguar XJ series – perhaps the last of a line that the late William Lyons, who founded the company, could himself have styled.

The new Range Rover is recognisably descended from the original. But it is more rounded, has bigger windows, a gigantic boot – the spare wheel now lives under the floor – and standard air suspension, giving it four ride heights. It can lower itself to make entry and access easier, squat just a little for motorway cruising, come up a bit for minor roads and crossing fields, and go higher still for extreme off-road use.

On the highway, it rides and handles better than any other on/off-road vehicle, with heavy beam axles back and front. And it is incredibly agile over really rough country – although only a handful of people buying this mobile drawing room will ever discover that.

Engines are four-litre and 4.6-litre versions of Rover's own everlastig V8, plus a 2.5-litre, BMW-sourced, turbo-charged and inter-cooled diesel. With the petrol V8s, automatic transmission is standard. The five-speed manual diesel – for me, the best all-rounder, with an up-to-28 miles per gallon (10.8/100km) consumption – will be joined by a two-pedal diesel version next summer.

Only short road mileages could be driven in the Range Rovers at their launch in south-east England, so the experience served only as a taste of things to come. But I learnt enough to be convinced that if you feel you must have a 4x4 as a road car, and your company can afford to pay between £31,950 for the 4.0 V8 and £49,950 for a fully-loaded 4.6 HSE, then this is the one to have because it is the best.

Taking part in the launch of the Jaguar XJ series was a motoring enthusiast's idea of heaven. There were four new



The best: if you must have a 4x4 as a road car, the new Range Rover 4.6 HSE is the one to go for

Motoring / Stuart Marshall

Flying start for dynamic duo

On test: a new Range Rover and Jaguar's latest

luxury cars to drive as hard as one's conscience (and wandering sheep) allowed in the wide open spaces of the Scottish Highlands. (But not on the dangerous A9, dotted with warnings of speed cameras and unmarked police cars.)

First, the XJR – a £45,450 super-charged, 326-horsepower four-litre with massive pulling power at low speeds and a real flyer for the businessman who feels he is not yet old enough to have a Daimler V12. It offers super-car muscle with refinement, ease of driving, and seemingly limitless grip from the massively wide 45-series Pirelli P Zero Corsa tyres.

The most remarkable feature of this fiery new Jaguar is the way the chassis engineers have combined super-sports handling with the marque's traditional limousine-ride

comfort and silence. The only clue that the tyres are getting on for a foot wide is their tendency to tram-line – that is, dodge around slightly from side to side on certain kinds of road surface.

Jaguar engineers were urged by the marketing people to stiffen the suspension to make the car more overtly sporting (for which read less comfortable). They resisted, and good for them.

The XJR has more cornering grip than can possibly be used on public roads, yet it does not thump and bang over potholes. Its steering, while being much more direct than on past Jaguars, is never twitchy. It was, I thought, one of the best luxury cars, regardless of price, I have ever driven.

The £34,450 four-litre XJ6 4.0 Sport (249 hp) lacks the

XJR's super-charger and 17in wheels hint, standing-start acceleration apart, seemed to go almost as well. And the £53,450 XJ12 (318 hp) was everything one expects of a chairman's carriage, with apparently unlimited performance on tap.

Most user-choosers will go for the least-expensive, 219 hp, 3.2-litre XJ6, a best buy at £28,950. They need not feel deprived, though. It might not have the sling-shot acceleration of the more muscular versions but there is more than enough power to cope with any conceivable situation. It cruises in near silence and has Jaguar's superb ride.

I am told the Jaguar's enlarged boot will now take two sets of golf clubs in the trunks. We shall see – in the very near future, I hope.

Gardening

Stirred for spring

The cool, wet weather has rescued gardens for a suitable autumn finale and, with renewed faith, I am planning for next spring at this crucial moment. We have to stir ourselves now if we do not want a bleak April, waiting for leaves to return to the trees. We must also stir ourselves if we do not want a drab house in February.

Let me first pass on a lesson that is especially gratifying because most of the nursery men have not yet woken up to it. (There is not a word about it, either, in any of the Royal Horticultural Society pamphlets, literature and encyclopaedias which have been fast-breeding recently.) As a result, I can tell the trade how to double its market and make us all spend twice as much for better results.

It should start telling us that when we plant bulbs for use in the house, we should pile them up in layers, one above the other. I mentioned this revolution last year, having heard about it from that revolutionary organisation, the Women's Institute. I can now confirm that it works.

Underneath last year's hyacinths, we planted a lower layer of the white tulip *Purissima*. The hyacinths flowered late in January and, when we had cut off the dead pieces and reduced the length of leaves by half, the tulips appeared magically in bud and doubled the room life of the entire planting.

Bolder souls put a layer of crocus on top of the hyacinths, and some of the robust and cheap yellow-flowered narcissi *Soleil d'Or* underneath. One lady stockbroker, with a very deep container, went further. She wrote to say she spent a happy Sunday packing in crocus, hyacinths, narcissi and, lastly, the yellow-flowered lily tulip, *West Point*, which surfaced through the debris late in March and gave a fourth season in a single bowl. She considered the result to be the one investment she made last autumn which was actually worth more by late March.

Like all revolutions, this one is expensive, but it doubles or quadruples your return on time and space. But when I first heard of the WI suggestion, I thought it must be a joke. Surely the shoofs of the narcissus would dislodge the hyacinths and the tulips would be stuck underneath in the traffic jam? But no.

The key to success is a deep flower pot. The cheapest are plastic, but they are even more hideous than the average run of glorified cache-pots from a country gift shop. Indoors, I concealed them or planted directly into the deep, fluted pots of off-white china sold by the Reject Shop at up to £9 each. While these have no holes in the bottom, this did not seem to matter last year because I prepared the soil carefully and minimised watering after planting.

The old way of minimising watering was to use a special bulb fibre, full of oyster-grit and willing to retain a soaking

for several months. Nowadays, I cannot find this old-fashioned bulb fibre in general stores: what they sell under that name is simply peat, recycled under a seasonal label. I have now given up and simply use earth from the garden into which I mix a very small dose of water-retention crystals.

Prepare the soil in a separate container by watering it, mixing in the crystals like ground almonds into a Mediterranean cake; then, wet the mixture lightly in order to activate the jelly. Next, pack it into the bowls, making sure that you have not over-jellied the mixture; otherwise, the bulbs will rot.

doors and perform no worse than hyacinths which have been growing in the usual segregation. Those of you marooned in London or a flat without a serious garden ought to enjoy this multiplication of results in the same space.

Outdoors, my plans now regularly concern two families to which I thought I had waved goodbye not long after this column began. The bother of growing one's own wallflowers and forget-me-nots was simply too much for today's academic part-timer; anyway, I began to tell myself how frightful those mustard-yellow wallflowers looked on Britain-in-bloom town roundabouts.

has doubled the life of the bulbs.

I plant groups of up to 20 wallflowers in reds, crimsons and the less robust Ivory White (which is neither ivory nor white) and space them at considerable intervals in the front to middle rows of the borders. There is no need to go to the expense and trouble of a continuous carpet; in spring, a few repeated groups of colour lead the eye down the bare earth and are, visually, more effective. The inter-planting with wallflowers allows me to cut down a dying border late in October, running two jobs together.

Lastly, the forget-me-nots. I have tried to live without them but I miss them too much, just as the name tells us we should. Again, if you hunt around, there is sure to be a big grower for the bedding trade nearby who will do a deal on pre-grown plants in a serious quantity.

My lesson here is much less forgettable: if you have the choice, always go for the smaller Indigo, not the taller and looser Royal Blue. Indigo is so much brighter, deeper and more remarkable: it is twice the plant and, only when I had been unfaithful to it for a few seasons, did I realise how much better it was.

Once again, a few groups go a very long way; and, as it is so compact, you can fit it into smaller beds near the house to flower in those weeks before everything starts running wild.

Robin Lane Fox offers a tip on how to make the most of your bulbs

Follow the usual rules: put the bowls in a dark, unheated cupboard or frost-proof shed where they can develop roots; the crystals should mean there will be no need for more water. Bring them into a cold room after two months, when the central layer of hyacinths should already be showing about 2in of yellow-looking growth above the soil. Give them a week or so in which to develop away from central heating, then space out their entry into your main rooms.

Layered bulbs will not flower for a second season indoors, but they seem to recover out-

Of course, it was sour grapes, because wallflowers have an exquisite scent and come in far better colours. They are back in my life with a vengeance, especially since finding a local wholesaler who supplies the councils and does the donkey work for me.

My lesson here is extremely simple: wallflowers are shallow-rooted and can be grown in groups between the dormant plants of your main borders without detracting from their later seasons. I keep returning to this discovery because it has doubled the shelf life of my flowerbeds, just as layering



A boon to borders: wallflowers have an exquisite scent and can double the visual life of a flowerbed

Fishing / Michael Wigan

Trout to stir the soul

When Darwin landed on the Falkland Islands in 1834 he was unimpressed. Wild cattle roamed a trackless waste otherwise devoid of mammal life. But Darwin was not a fly fisherman.

Even if he had been, the meandering estuaries and thin, curling rivers would have stirred no tremors in his casting arm, for the only freshwater fish in the Falklands were two small species of no account. The estuaries were dominated by bulbous-headed, slim-tailed grey mullet which slipped in and out on the tide, not a sportsman's target.

Darwin's genius lay in looking back in time, not forward. Even the pioneers of the 1940s, who changed the Falklands fishery, had no idea what their actions would produce. Brown trout eggs were imported from England and Scotland, making the 8,000-mile sea journey in trays of ice. On arrival in sub-Antarctica they were transferred to milk-churns, strapped to horses, and hauled to the interior. There they were put in the sweet waters of the slow-moving, spring-fed rivers.

Brown trout are a resilient, adaptive, tough and invasive species. Originally found only in Europe, today's map reflects their colonisation of the rest of the globe. Wherever Europeans went they took fish with them,

and there are now naturalised populations as far apart as Japan, New Guinea, Peru and Pakistan.

Within 10 years of the brown trout introductions, Falklanders found themselves catching trout which had turned silver and grown immeasurably bigger than their impoverished brethren.



The questing brown trout, finding inadequate food in the rivers, which were also prone to dry up and lose essential oxygen, had migrated to estuaries and the sea, where protein-rich krill swarmed.

The present record for a Falklands sea trout, winkled on to the bank of the San Carlos river in 1992 by Alison Faulkner, a British angler, is nearly 23lb. Scale analysis showed it to be a remarkable 10 years old and to have spawned at least five times.

Sea trout have this advantage over the Atlantic salmon, their rival gamefish: they are

better able to recover from the rigours of spawning, they spawn more often and, because the core stock remains in fresh water, they cannot, like salmon, so easily be exploited to the verge of extinction.

It is a curious fact of the brown trout's sea-going urge that it principally motivates the female; males stay at home. When the female returns, silver and big and bursting with ova from the tremendous larders in the salt, two or three share a communal nest. The diminutive resident brown male can then fertilise the eggs of several females.

Enough biology. The proper concern of all self-respecting Falklands visitors is how to attach this gleaming silver maiden to a fly manipulated by a fishing rod. The answer is, as it should be, with difficulty.

The really big fish in any migratory run need special attention. In the Falklands the sea trout run into rivers from January until the end of the fishing season in April.

The best fishing month is February. But the big fish tend to run together, towards the end of the season, and waste a little time as possible in fresh water. On the Chathams river, in West Falkland, gillie Tony Blake said he and Alison Faulkner had seen sea trout so big they could have eaten her record-breaker.

Blake is a fishing phenomenon himself. Everything that

happens as you fish the pool under his eagle-eye relates to his search for the big fish. A 2lb trout jumped. He said: "Right. The big fella won't be here. He would have chased that minnow out. Try there." I did. He was there.

Meantime my fishing partner had caught 27 sea trout, averaging 2lb, in three hours.

Blake particularly likes the story of the American fly-dresser who came to report on which of his 200 flies Falklands sea trout would take. "How are you getting on?" Blake inquired. "Badly," replied the American. "They take them all."

If the Falklands was situated where the Canaries are, British fishermen would be trampling the grass flat on the banks. As it is, virtually no one goes there.

For more information: Go Fishing Canada, Swan Centre, Fishers Lane, London W4 1RX. Tel: 081-742 3700.

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SPORT

Golf

Autumn days in the McCormack empire

Derek Lawrenson greets the start of IMG season in Europe

Few people sit on the fence when Mark McCormack and his company, the International Management Group, are the subject. In Arnold Palmer's biography, written by Larry Guest, the author headlined the chapter dealing with IMG: "Darth McCormack and the Evil Empire".

The European tour, by contrast, swoons at the sight of the man. If it is autumn, it must be time for Mark McCormack month. Last week we had the IMG-promoted Lancôme Trophy. This week it is the IMG-run German Masters.

Over the next fortnight, the Dunhill Cup at St Andrews and the World Matchplay championship at Wentworth take place. McCormack devised these tournaments. He promotes them and commentates on them for the BBC. The players he manages will be there. During the Dunhill Cup he will chair a committee on the Sony World Ranking, which he devised and has run since it began nine years ago. The ranking is backed by the game's ruling body, the Royal and Ancient, which allows McCormack to handle the television rights for The Open. Is there any area of the professional game outside his reach?

Not if there is the potential to make money. He has enormous influence over both the R&A and the European tour. There is no questioning his position as the most influential man in golf.

His genius lay first in recognising, and then exploiting, Palmer's charismatic appeal.

In doing so he changed golf from

In Arnold Palmer's biography, one chapter is headlined: 'Darth McCormack and the Evil Empire'

a sport with limited appeal to one that attracted support from all walks of life. Furthermore, McCormack was not an insular American. The key word in IMG was always international. Gary Player's signature gave IMG access to the South African market and Tony Jacklin's gave an entry into Britain. When the European tour opened for business, McCormack was offering tournaments, sponsors, back-up, the works.

McCormack did a lot for golf in

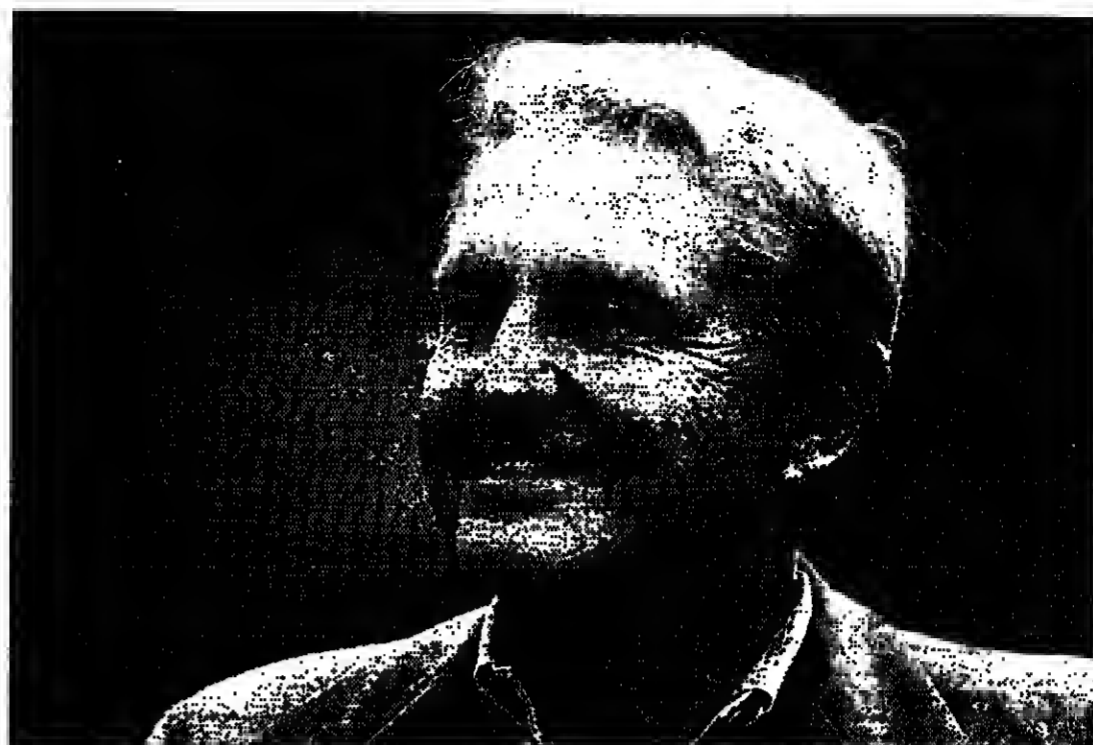
the 30 years after he teamed up with Palmer at the start of the 1960s. (He was also heavily involved in tennis, but that is another story.) No one indeed, did more. But can the same be said today?

There are many who believe his empire is now hurting the game. Certainly, with such power, there is the potential for doing so.

The Sony Ranking, for example, is run by the same company whose job it is to promote some of the top players and who gain contract endorsements on the strength of them being in the top 10.

And in the World Matchplay championship, Severiano Ballesteros, the most popular player in Europe but non-IMG, did not receive an invitation until one of the original invites dropped out. At the same time, Brad Raxson, winner this year but an IMG man, and John Daly, 76th in the world rankings but a player IMG would desperately like to promote, were both on the original list.

IMG promotes 10 events in Europe, offering the tournament sponsors such top players as Nick Faldo, Colin Montgomerie and Bernhard Langer, whom it manages. It then claims appearance money on behalf of its clients and takes the percentage which it is entitled to



Golf in his grip: Mark McCormack is still powerful in Europe

from all their tournament earnings, whether IMG-sponsored or not.

IMG vehemently denies that its players' schedules show a bias towards IMG events. Discounting The Open and the tour's flagship event, the Volvo PGA Championship, Faldo has played in just one non-IMG tournament in Europe this year.

It was McCormack who came up with the idea of defacing every tee at the Open with sponsors' billboards. It was McCormack who asked so much for Open television rights that Swedish television refused to pay, and so viewers there missed Jesper Parnevik's brave stab at winning the sport's blue riband event.

There is evidence that the players are growing tired of IMG. Two years ago Greg Norman left, his new manager, Frank Williams, said the Australian was tired of "hidden agendas: you know, IMG making deals like we'll give you Greg if you give us TV rights".

This year, Nick Price left, making it two Open champions in a row. The good young players are also steering clear. Ernie Els, Jose-Maria Olazabal and Phil Mickelson all chose other management groups.

Many are put off by the terms IMG takes 10 per cent of prize money and 25 per cent of endorsements. Faxon is McCormack's leading US player, a far cry from the early days when he had both

Palmer and Jack Nicklaus. No wonder he is assiduously courting Daly. McCormack, uncharacteristically, found himself on the back foot this summer, trying to counter reports concerning the decline of his American fortunes. He revealed that he had had offers from Rupert Murdoch and Phil Knight, the owner of the Nike sports company, for IMG, but said there had been no serious discussions.

In Europe, however, he remains omnipotent, and talk of a crisis is surely fanciful. He will enjoy the next fortnight as his British tournaments take centre stage and, it has to be said, there will be no shortage of spectators who will enjoy them as well.

Cricket

Around the world in 80 Tests

The West Indies cricket team will leave the Caribbean for India in a few days, starting a global trek which will only halt, at least temporarily, in England at the end of the summer. By then the team will have had four tours, one of which will be at home, and will have played 15 test matches, and between 25 and 30 one-dayers, depending on how successful they are.

Such a hectic schedule is unprecedented in modern cricket, and comes after a full English season for most of the leading players, which followed a home series against England. After India, the West Indies will go to New Zealand, hurry back home to meet Australia, and then travel to England for six tests in the summer. It is hardly surprising that the West Indies are without four stars for the tour of India. They risk playing the rest of the squad into the ground over the next year.

There are many reasons for so much cricket. The West Indies are a drawing card. Names such as Brian Lara and Curtly Ambrose guarantee good crowds. And good crowds warm the hearts of cricket administrators, and fill the meagre coffers of some boards, not least that of the West Indies. The financial viability of home tours is uncertain because of the relatively small grounds and small crowds in the Caribbean.

West Indian players apparently do not mind. Money for cricketers, particularly for good ones on consistently winning teams, is significant. "A cricketer's earning life is relatively short, ending in the middle 30s if one is lucky," says Alan Rae, who opened for the West Indies in the 1940s and early 1950s, and who is now a lawyer in Jamaica. "So they have to secure a firm financial

Canute James on the problems of the weary West Indies team

base to ensure a good standard of living to look after their progeny in their old age."

There are, however, obvious dangers to making so many runs while the sun shines. It is already telling on the West Indies who go to India, and perhaps to New Zealand, without several of their most experienced players.

For the second time in nine months, Richie Richardson, the captain, has been forced to rest because of fatigue.

Also missing will be Desmond Haynes, an open batsman. Ambrose, who is having an operation for a shoulder injury, which could well be the result of too much cricket, and Winston Benjamin, another fast bowler, who is being disciplined following an off-the-field incident in Antigua during the final test of the England tour.

India's howlers may regard Brian Lara with more than passing concern, but batsmen such as Sachin Tendulkar, Vinod Kambli and Mohammad Azharuddin may see the inexperienced bowling support for Courtney Walsh as a chance to improve their averages.

In spite of the West Indies' record and seeming invincibility (they have not lost a test series since they were beaten by New Zealand in 1980), it will be difficult for a weakened and tired team to defeat India, one of the better test teams, away.

"India will definitely have to consider themselves favourites," says Michael Holding, the former West Indies pace bowler. "Without Ambrose, the West Indies bowling attack cannot consistently destroy the Indian batting. I do not see any West Indies bowler who is going to give the Indian batsmen sleepless nights."

The combination which could defeat the West Indies in the next few months - too much cricket, lassitude, a weakened team and improving opposition - could also threaten the team's earning power. The West Indies are attractive only as long as they are winning.

"There is an obvious danger to the players' health from such a hectic schedule as the one the West Indies are undertaking," says Rae. "The players can also lose their edge from too much cricket." Could he have withstood such rigours? "Certainly not. I went through this at a slower pace and I could never have played county cricket for more than two or three years."

Sailing

Umpires under siege in La Rochelle

Keith Wheatley describes the squall that has disturbed the match-racing world championships

On-the-water umpiring has been a vital part of sailing's progress into a modern, readily comprehensible sport. From America's Cup to the Olympics, the sight of inflatable chase boats pursuing competing yachts and referees dispensing instant justice has become a familiar sight.

La Rochelle, venue for this week's world championship of match-race sailing, has now witnessed the logical next stage of that evolution: abuse of the umpires and the subsequent banning of a leading competitor. It is an unenviable new era for a sport that still has an intimate and Corinthian feel to it.

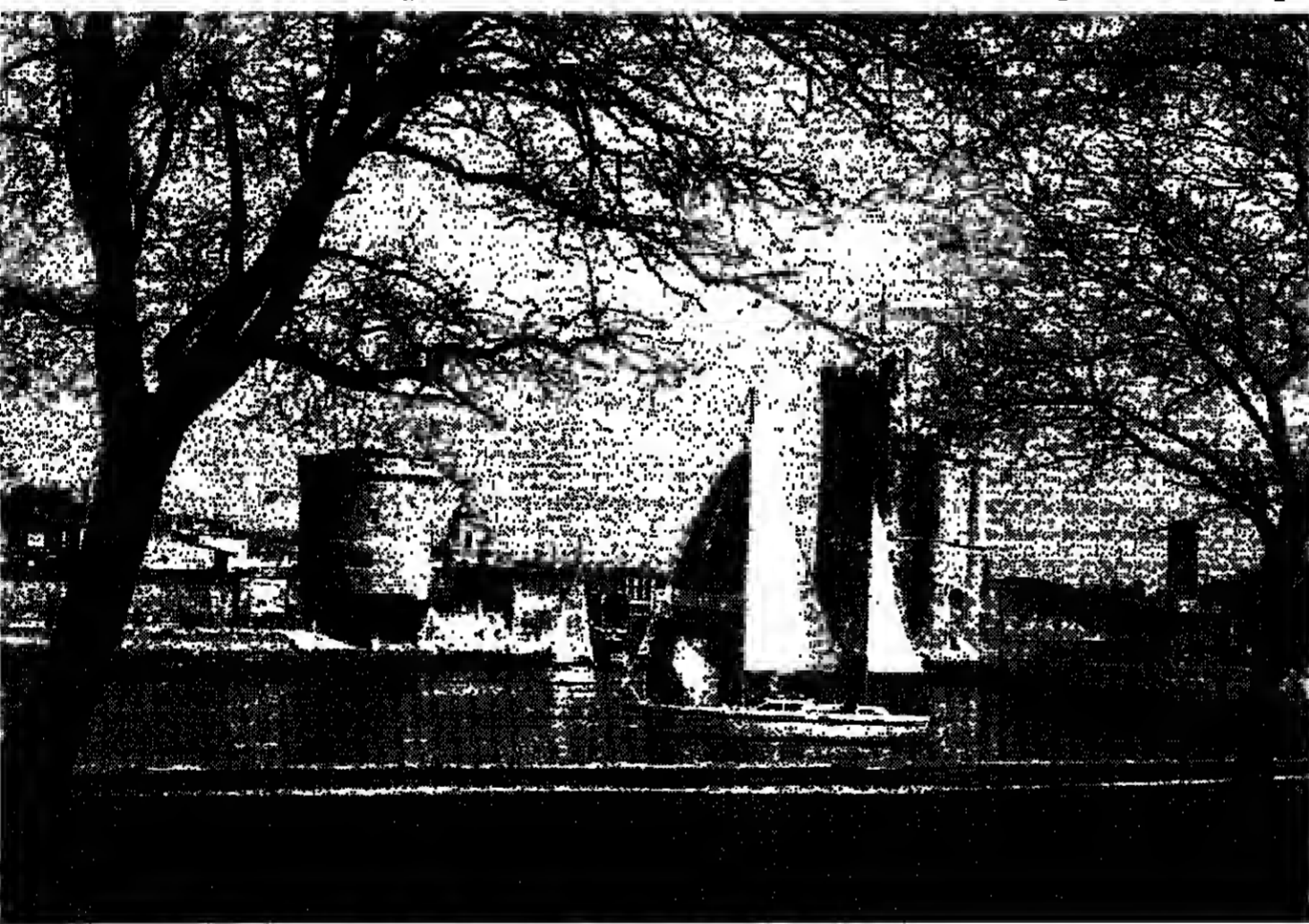
Chris Law is the British helmsman who broke through the last taboo. After shouting criticism at an umpire who gave him four penalties in one race, he was summoned before a panel of the International Jury and, according to its published finding, continued his tirade during the hearing. The verdict was "gross breach of good sportsmanship" and disqualification from the regatta.

Law, who has already won two prestigious events, the Congressional Cup and the Royal Lyngby Cup, this season, is hurt but largely unrepentant. However, he is sufficiently disillusioned with match-racing to announce his retirement from a sport where he was ranked sixth in the world.

"I obviously have an explosive McEnroe-type approach but none of it is malicious or personal," he explained in hurt tones the morning after his expulsion. "In 20 years of competition I don't think I've deliberately done anything with those motives."

"The sport needs personalities, it needs characters. My evocative, passionate way of sailing a boat has been described as exciting often enough."

Neneasis came in a match against Bertrand Pace, towards the end of the dual round-robin part of the regatta. It was extraordinarily close, with the boats only feet apart. This was more remarkable since Law had already collected and executed two penalty turns before the short race was half-over. According to the



Embattled again: the sailing at La Rochelle brought a dispute which ended with British yachtsman Chris Law suspended

BARRY PHILLIPS

official report, when the umpire's flag went up to give him a third penalty Law shouted abuse at the official.

That in turn led to a fourth penalty, whereupon Law turned to the boat carrying the chief umpire and shouted: "You lot are wrecking the sport."

This was almost certainly his undoing. The whole concept of on-the-water umpiring is both new and tough to organise. Providing a chase boat (with driver) plus

umpires for each pair of yachts in a match-race regatta is expensive and difficult. Even ex-sailors who are accustomed to sitting on protest committees find instant judgments on-the-water hard to make. Many international level sailors would agree that often decisions are hasty and wrong.

"The standard of umpiring is not high at all. It does not come close to what is required," said Law, who readily admits to a technique of pushing the arcane rules of match-

racing to their limit. Where he differs from his peers is being unwilling or unable to accept the rub of the green.

"I have a problem with authority that I don't respect. It got me into trouble at school and it's certainly got me into trouble here," admitted Law, whose sailing career has had more than its share of setbacks.

The final irony is while he was in La Rochelle, Law received an invitation from the Sydney 96 campaign for the 1996 America's Cup to try

out as helmsman on their yacht. The Cup has appointed as its chief umpire for the four months of racing off San Diego one John Doerr, the same official in charge this week at La Rochelle.

The first challenger races for the America's Cup are less than four months away and it has provided a distinct sub-plot to events at the championship at La Rochelle. Each of the four semi-finalists - Rod Davis, Paul Cayard, Bertrand Pace and Peter Gilmour - has both a role

with a leading Cup challenger and experience of the event going back many years.

"There is a definite advantage going to these events with a crew that you are already sailing with regularly and at a high level," said Cayard. "There is also an extra motivation among the skippers. You are trying to establish a psychological pecking order that you will take back with you to San Diego."

Cayard's precise role next year is still uncertain. He recently parted company with the French team after financial disagreements. Cayard, who has dual French and American nationality, also has an offer to race aboard Stars & Stripes with Dennis Conner.

"I've also had approaches from the TV companies," he said. "It would probably make me more money than sailing on someone else's boat. But once you've been in there, it's hard to stay out of the Cup."

In 1992 Cayard was skipper of the Il Moro campaign, headed and financed by Raul Gardini, the late Italian industrialist.

Rod Davis is the skipper who has come out of La Rochelle looking strong. Rocket Rod has 15 wins out of 18 starts in the round-robin series and looked uncatchable. His crew, including three-times laser world champion Glenn Bourke, are all senior members of the One Australia campaign to take the America's Cup back Down Under.

Davis is the ultimate mobile professional among professional sailors. He was born in San Diego and raced as skipper for the US in the 1987 America's Cup, for New Zealand in the 1982 event, and now Australia. Conner christened him "yachting's Benedict Arnold", but Davis is too relaxed about virtually everything to mind too much.

Having been undefeated during the first day of the regatta here, Davis was asked how he explained three losses on the second. "I predicted that no one would go through undefeated," he explained. "We just decided to take our beatings now, rather than on finals' day."

by a legion of agents, lawyers and accountants; and they are members of stronger unions. Players want their share of the spoils, and are willing to fight for it.

The owners have changed greatly over the years, too. Today, they are likely to have fewer ties to the local community, be less respectful of tradition and more interested in making a profit. They are also less willing to share the revenues among each other for "the good of the game", and more willing to stand up to the players.

The result is more confrontation, and less compromise.

Finding common ground between the two sides will not be easy. Some of the country's best minds have struggled with the issues that crippled the baseball season, but no one has come up with a remedy. The commissioner of ice hockey is a clever, level-headed lawyer, yet he is ready to close down the sport just when it is on the verge of winning over a new generation of fans.

Instead the owners and players will direct their highly-developed competitive instincts to beating each other, even if they risk losing everything else in the process.

Sport in the US/Patrick Harverson

Three strikes, you're all out

yet culminate in a lockout.

If the National Basketball Association season were interrupted before the year's end, the only professional team sport left would be American football. But even in the National Football League, all is not well. Both players and team bosses are struggling to come to terms with life under the NFL's new salary cap - the league-wide ceiling on team pay that the players' union and management accepted for the first time this year.

In order to keep team pay within the cap, clubs have been forced to jettison veterans or cut their salaries dramatically, and put their faith in a larger-than-usual number of untested young players. This has made a lot of players and team managers unhappy. Many now wish they had never agreed to the salary cap.

What is so frustrating for the

fans, is that baseball, football, basketball and ice hockey are all extraordinarily successful sports. The players are paid hundreds of thousands, or millions, of dollars, the owners earn vast sums from television contracts, attendance and merchandising, and the individual franchises - the clubs - are each valued at anything between \$50m and \$300m.

Yet, it is the very financial success of American sports that is at the root of the problems.

The country's four biggest team sports have become huge cash-generating businesses. Exact figures on earnings are not available (primarily because the owners want to keep the players in the dark), but according to Financial World magazine, baseball last year generated annual revenues of approximately \$1.7bn (£1.07bn), football \$1.5bn, basketball \$1bn, and ice hockey \$680m.

These totals are considerably understated, because they do not include earnings from the sale of sports merchandise, which is controlled by the leagues. Clothing and hats bearing team logos and colours are so popular in America and overseas that revenues from merchandising range from \$80m in ice hockey to \$2.5bn in football.

All of this would be great news for everyone, if only the players and owners could agree on how to share the booty. There is a single issue at the heart of the labour-management disputes in baseball, ice hockey, basketball and football: how best to divide the spoils. More specifically, although revenues in each sport have been rising steadily since the early 1980s, player salaries have been rising even faster, and the owners, who have fuelled the rise with their eagerness to pay ever increasing amounts to star players,

want to put a stop to it. To limit the rise in salaries and keep more of the revenues for themselves, the owners in each sport have either imposed, or are seeking to impose, a salary cap on the teams.

The players, naturally, do not like the idea of accepting a limit on what they earn. In those sports where a cap is demanded by the owners (baseball and ice hockey), the players refuse to accept it - hence the strike and the lockout. In those sports with a cap (football and basketball), the players want to get rid of it - hence all the unhappiness and potential unrest.

There is another factor behind the dire labour relations in American sports: the changing natures of players and owners.

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TRAVEL

Warmed by the glories of the frozen continent

Antarctica fires Nicholas Woodsworth's imagination

0748 hrs: arrive Cuverville Is. Position: Latitude 64 degs 41 mins South/Longitude 62 degs 37 mins West. Weather: Cloudy, 985 millibars. Temp: 2.5° air, -0.5° sea. Wind: SW 4-5, sea calm.

Vessel drifting off NE of Cuverville Is. Gentoo penguins, fur seals and 3 humpback whales.

There is no getting around it - Peter Skog, chief officer and keeper of the Explorer's log, will never be a Conrad. Is it his Swedish phlegm and unflappability? Is this the new marine minimalism of the 1990s? Or is there simply not enough space to wax lyrical in each entry?

One way or another, Chief Officer Skog's prose style fails to do full justice to the Antarctic. Here we are, 75 fully-grown adults, all dressed identically in wellies and bright red parkas, full of hot breakfast and ready to go - as excited as six-year-olds on a school outing. And how does the chief officer record the moment? He makes a landing on a penguin-teeming, whale-surrounded, ice-berg-jammed antarctic island sound as thrilling as stepping off the No 38 bus on to the Edgware Road. Each time I wander up to the bridge to peek at the log a new literary disappointment awaits me.

One dreads to think what calamity it would take to move him to passionate language - a giant tidal wave or a biblical parting of the waters might just do the trick.

Rough sea and heavy swell, vessel pitching and rolling he wrote in the log two days ago as we crossed the notorious Drake Passage from Cape Horn to the Antarctic Peninsula. Good Heavens, in my cabin pitching and rolling was the least of it - all night long shoes, books, cameras, sets of drawers and anything else left unsecured whizzed back and forth between cabin door and porthole like things possessed. Not even the toilet paper was left in place - somehow an entire roll managed to unwind itself on to the floor in my cabin bathroom.

Next morning, still in the heaving Passage, the dining room looked like the charge of the Light Brigade. Others may praise Drake, Magellan and Darwin, all, admittedly, fine sailors of these fearful southern seas. But I praise Alex, our Filipino waiter, who with a loaded tray can make his way from a crashing galley across a huckering floor to a pitching table, all without spilling a drop.

But will Skog record that in the log? No. Neither will he note that Alex is one of the few people on earth to have had his appendix removed in an emergency operation at an antarctic research station. Nor that he never forgets the Tahasoo sauce. Are these not all exceptional feats deserving of record? In my honour roll of antarctic heroes, Alex stands somewhere near the top.

Sea temperature -0.5° Skog has written in his passionless, dry-as-dust Nordic hand. Where does he mention that just yesterday some of the more adventurous souls aboard the Explorer, my own brave self included, went swimming in these frigid antarctic waters? Granted, it was Skog, and not I, who knew the secret of volcanic Pendulum Cove and its sand beach, geothermally heated from below. But where does he describe the great steaming and billowing, sloshing and wallowing that followed our landing? Skog might not be impressed, but I was. Pendulum Cove gave me a better bath than I can get from my miserable little hot water geyser in London.

Gentoo penguins, fur seals and 3 humpback whales, writes Skog, as if compiling a shopping list for Sainsbury's supermarket. But I can tell you that meeting these creatures face to face has nothing to do with buying pesto sauce or coffee beans.

In the first place, pesto and coffee smell good; colonies of antarctic birds and mammals

do not. Conrad himself would have trouble with the smell of a penguin colony - it is indescribable, but can knock you over at 50 yards. Guano aside, though, penguins have great attraction - they are cute and cuddly, curious and comic, and in their nesting thousands, wholly fascinating. In their black and white outfits they look much like French waiters, but are far more approachable.

Seals are even more impressive - their smell can knock you over at 200 yards. And in some ways they are even more like humans than penguins - a contented, smelly and sociable herd of one-tonne elephant seal bachelors lying together in a steaming sea-side wallow puts me in mind of a post-match rugby-team locker room. And what about those cocky, argumentative, testosterone-driven male fur seals who spend much of their time vying for the favour of the females? Wind, waves, ice and water aside, I might be in my favourite local on a busy Saturday night.

But like most passengers on the Explorer, I reserve my greatest interest for the whales. Skog can write 3 humpback whales and let it go at that if he likes. When you are in a Zodiac inflatable dingy and close enough to be drenched in the fine spray from a whale's blow-hole it is rather a different matter. There is nothing quite like the company of these vast animals as they lazily dive and spout and roll and wave their flippers and raise their flukes. Melville wrote hundreds of pages about the great drama between men and whales; you would think the miserable Skog might manage more than three words. But no.

1145 hrs: arrive Neumeyer Channel. Position: a spectacular channel, narrow and high sided, grander than any northern fiord. Weather: marvellous - crystal clear air, gloriously sunny, fresh and bracing - the kind of weather that makes you feel happy to be alive. Sea: full of blue curacao-coloured ice-bergs.

Vessel crunching through jagged icebergs, surrounded by snow-covered mountains plunging steeply to the sea.

Could Skog be responsible for such a loose and fanciful entry? Of course not. Skog wrote nothing at this point. I have written it for him. The chief officer, apparently, does not believe breathtaking beauty worthy of recording. But while he enjoys measuring millibars, the rest of us enjoyed gazing out from the upper deck at some of the most astounding scenery we have ever seen - great ice cliffs, impossibly tall and pointed peaks, glaciers flowing at infinitesimal speed into the sea, weirdly sculpted icebergs, seals harking on sun-washed ice-floes.

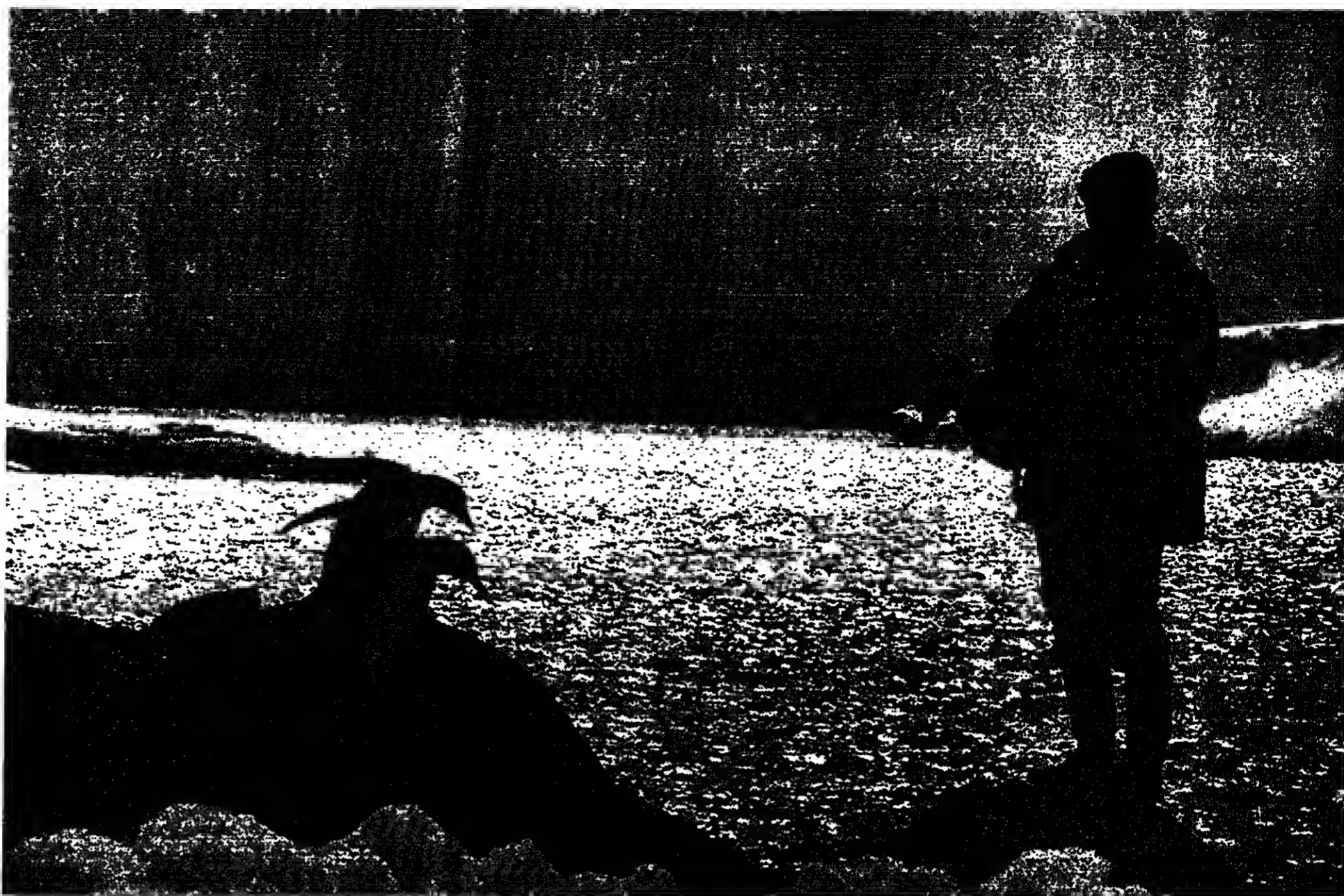
We were all impressed, and this is saying something for the passengers aboard the Explorer - wealthy, well-travelled, and for the most part American - have high expectations. For my own part, I had no idea that such a continent existed - in my mind Antarctica was a bleak, desolate and lifeless place of little interest. On the contrary, it is now for me a place of the greatest interest.

1500 hrs: arrive Port Lockroy. Position: Lat 64 degs 52 mins S/Long: 62 degs 37 mins W. Weather: partly cloudy, 982 millibars. Temp: 5° air, 0° sea. Sea calm.

Vessel drifting off Port Lockroy. Gentoo penguins, leopard seals.

Back to dull Skog's ditch-water delivery again. Does he never tire? Has he never stood on the rocks, surrounded by hundreds of clamorous, roosting augs, and looked down into the waters of Port Lockroy as I did?

How striking it is to watch penguins, sleek, waddling, inept birds on land, transform themselves into marvels of dynamic design in the water. With just one hop from a rock they become agile, graceful creatures, as fast as torpedoes as they flash about in search of the fish and shrimp-like krill that is their prey.



Cute, cuddly, curious, and very smelly: penguins in their nesting thousands are wholly fascinating. In their black and white outfits they look much like French waiters, but are far more approachable

Michael J. Woods

One moment of marine game-watching in Port Lockroy remains with me: that instant when, on a drifting ice-floe not five yards distant, a snoring leopard seal awoke and yawned, showing me a great mouthful of needle-sharp teeth, then slipped silently into the water. There is nothing furry or cute about leopard seals - they can slay a penguin right out of its skin with a few tosses of their powerful heads. The moment that seal slid below the surface, the hunters became the hunted.

But does Skog appreciate the

thrill of the wild, the vitality of life, the inevitability of sudden death? Canoe penguins, leopard seals is all he can find to write. But then Swedes have always been a squeamish lot when it comes to high drama. In their country I have seen dairy cows with rubber bulbs fitted to their horns in order that they cause no undue harm or excitement. Poor Skog, perhaps he should not be blamed.

2000 hrs: arrive Paradise Bay. Position: Lat 66 degs 42 mins S/Long: 62 degs 37 mins W. Weather: overcast, 885 millibars. Temp: 0.5° air, 0° water.

Vessel drifting off Paradise Bay, BBQ, then Zodiac tours, landing on the Antarctic continent.

All is forgiven! In that last sentence taken from the log today I detect a tiny *soupsou*, the merest hint of understanding, of what it is to be Man the Explorer. But it is enough. Until now, the fourth of 10 days of cruising, we have only visited islands lying off the coast of Antarctica. This evening we land on the continent itself, and Skog has recognised the heroic symbolism of that act. A literary milestone.

If there is any doubt as to the significance of the event, there is, as the chief officer notes, to be a magnificent outdoor meal served on the rear deck, with a penguin - even now being chiselled in ice by a skilled Filipino chef - as the centrepiece to our blithe, mulled-wine-swilling company.

And if that is not enough, the captain is up on the bridge at this moment preparing a Certificate of Antarctic Exploration for each of us. We have joined the ranks of Scott and Shackleton, it informs us, "and ventured to set foot on

Antarctica, the highest, coldest, driest, windiest, loneliest, most remote and least-known continent on earth". Not only that, but we are now dedicated to "honour the brave pioneer Antarctic explorers who sailed these frozen seas before us, and to protect the Antarctic Continent for those who will follow".

That is certainly quite a big mouthful for one small step, even if it is on to Antarctica. No matter how much the chief officer has loosened up, I am sure he would not approve of the tone of such a document -

could that be why he has left the captain alone on the bridge and is down here with us munching BBQ? It is simply not his style.

Nicholas Woodsworth sailed to Antarctica with *Abercrombie and Kent*, *Sloane Square House*, *Holbeck Place*, London SW1, tel 071-730 9600. A+K's 10-12 day Antarctic cruises, combining visits to the Falklands and/or South Georgia, begin at £3,996, inclusive of return air fare from London. He flew to Santiago, originating point of the expedition, with British Airways.

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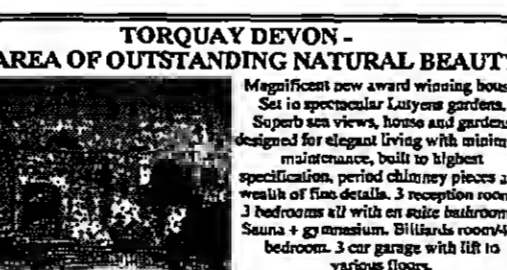


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BOOKS

An isle full of noises and sweet airs

Kieran Cooke on the contradictions, charm and, above all, the chatter of a nation in flux

The dinner party had been a fairly tame affair. As the Irish evening light faded, topics would momentarily flare into life then, like rainbows, evaporate as sentences were left unfinished and mouths were delicately wiped.

But then someone mentioned De Valera. A small, elderly gentleman, whose only contribution to the evening had been a hearty hump over the soup, sprang to life.

"De Valera was a cantankerous, humourless old bollocks," he said, his pudgy little legs kicking the air. "The worst thing to have happened to this miserable little country since Cromwell. That man (here he brandished his fish knife, sending a piece of *barbot au beurre* flying through the candlesticks) set Ireland back 200 years."

Things were not the same again. Tempers flared. Manners were forgotten as the civil war was replayed across the dinner table. Fresh drinks were petulantly called for.

By the time coffee and liqueurs

were served in the lounge - "Make mine a large one: none of your Protestant meanness here," shouted one guest to his landlady, but very Catholic host - it was a verbal free for all. Dark personal secrets were revealed. A bottom or two was pinched. A large lady walking unsteadily to the lavatory almost garrotted herself on a Victorian umbrella stand, collapsing in a heap of suspenders and stretched velvet.

There is nothing the Irish like more than talking - particularly about themselves. It amounts to a national disease. Whole summer schools are devoted to the subject - hour after hour, year after year. The conclusions are inconclusive.

The Irish are charming, difficult, spontaneous, unreliable, creative

and knavish. They are Europeans, but not really. They are certainly nothing to do with the English - though it is grudgingly admitted that there are more of us over there than over here. In short, the Irish are unique - in their own sort of way.

John Ardagh is charmed by the Irish. He has put together a highly readable account of the way Ireland is changing and how it is, a trifle self-consciously, coming to terms with the modern world. Ardagh's anxiety cannot be doubted. He crisscrosses the country talking to scores of people from various shades of society. His list of thanks and acknowledgements reads like a *Who's Who* of modern Ireland.

But somehow Ardagh is too kind.

He makes the Englishman's mistake of believing too much of what the Irish tell him.

Ardagh finds a great wealth of talent in Ireland. That is true. But Ardagh is too fond of littering his text with gushing adjectives. At

IRELAND AND THE IRISH: PORTRAIT OF A CHANGING SOCIETY by John Ardagh Hamish Hamilton £20, 446 pages

least one person is described as astonishing, others are marvellous. Several people or their books and newspaper columns are brilliant.

Ardagh admits to being pleasantly surprised by Northern Ireland. Its people, he finds, gener-

ally have more about them than the more easy going southerners. But again he cannot resist a bit of hyperbole. "The people are marvellous, second to none." Mary Robinson, the president, is one of the brilliant ones. "A creaking political system - but a fine new woman President" is the irritating sub heading in one chapter. President Robinson is nonetheless one of the best things to have happened to modern Ireland.

But as Ardagh points out, she might have influence but she has no power in a country where political talent - in contrast to the cultural or academic spheres - is very thin on the ground. As is hinted at, Ireland has been a badly run country.

The sleeve note on his book

describes Ardagh as "a strong believer in the battered old idea of European union." There is no doubt that EU membership has brought great advantages to Ireland. It has widened cultural horizons, raised incomes, particularly of the farmers, and done away with some of the old dependence on Britain.

But EU membership has introduced a new kind of dependence. Irish politicians gleefully talk about "the take" from Brussels. EU membership has only delayed the painful adjustment of Irish agriculture to the modern market economy. In spite of the Irish diaspora spread round the world, Ireland itself remains an insular society, hardly part of the European mainstream.

Ardagh does explode many of the old myths about Ireland by focusing on society as it is and not, as tourism promoters would have it, as some kitsch theme park full of Yeats and leprechauns. In the midst of all the interviews it is a pity that Ardagh does not pause for a hit more fun. When he does it illuminates what at times is a somewhat repetitive journal.

Ardagh describes meeting Garach Browne, part of the Guinness clan, and an eccentric even by Irish standards. "Garach is married to an Indian princess who is sometimes around. He was asleep when I arrived as agreed at 7pm, but eventually he woke up and remembered who I was..."

Garach is founder of one of Ireland's most successful recording companies but had no record player in the house. Ardagh relates how Garach takes him out to sk in his old Mercedes where, "shivering under the starry March night, we listened to cassettes of glorious Irish folk music on its radio. I went home very happy."



A rare 16th century botanical drawing, reprinted in the revised Illustrated Herbal by Wilfrid Blunt and Sandra Raphael (Frances Lincoln £25, 181 pages)

Fiction/J.D.F. Jones

Catch-22 in apocalyptic mode

Closing Time starts like *Catch-22*: Yossarian is in hospital, flirting with his nurse and thinking about death. "We can't find anything wrong," they told him. "Keep looking," he instructed. "You're in perfect health." Just wait," he advised. "The difference is that Yossarian is now an old man suffering from 'late-life depression'."

So is this the same Joseph Heller whose first novel, 33 years ago, gave a catch-phrase to the world? Heller must know the question well. "You sound so bitter these days," a friend says to Yossarian. "You used to be funnier."

True, this is a bitter novel, and not so "funny" as *Catch-22*, nor, I think, is it intended to be. Much has been made of

Closing Time being the "sequel" to that first, best-selling masterpiece, but the point should not be over-stated. Yossarian, the Armenian bombardier with a healthy fear of being killed, is 68, still has sex on his mind, and is contemplating a third marriage. Milo Minderbinder, the mess officer who takes capitalism to extremes, has prospered beyond all dreams and, with his son M2, is developing an invisible, super-stealth bomber. The Chaplain is discovered in old age to be passing heavy water and to have tritium in his flatulence. Milo says, "We will patent the chaplain as soon as we find how he works, and we are looking for a trademark. We are thinking of a halo..."

But he warned that there is

no return for Major Major, Colonel Cargill, General Dreedle or Doc Daneeka. Instead there are two Jewish friends from Coney Island, Sammy Singer and Lew Rabinowitz; Noodles Cook, the hopeless publicist who goes to work in the White House, an all-knowing private eye, assorted wives and nurses;

CLOSING TIME by Joseph Heller Simon & Schuster £14.99, 464 pages

and Little Prick, the US President, whose passion for video games eventually brings the world to an end.

There is much re-visiting - and re-working - of the wartime episodes of *Catch-22*, and for today, lurid descriptions of the nightmare squalor of 1990s New York. It is a sprawling, scarcely coherent jumble of a book, bursting with ambition and imagination. Parts of it are excellent.

By far the best chapters have to do with Sammy and Lew. Sammy Singer, who had only a tiny part in *Catch-22*, is widowed, melancholy, plucky, an early-retired copywriter. "I never thought I'd be this old, wake with stiff joints, and have nothing really to occupy myself with most days but my volunteer fund-raising work for cancer relief," Lew Rabinowitz, an entirely new creation, is an ex-infantryman who is dying - again, brave and jesting - of Hodgkin's Disease ("I'm sick of feeling nau-

seous"). In these two characters, and especially in their memories of their Coney Island boyhood, Heller has returned to his own roots and has rarely seemed better.

The problem comes when he switches into apocalyptic mode, as Yossarian observes the preparations for a grotesque society wedding in, of all places, the Port Authority Bus Terminal. This leads him down into a Dante-esque Underworld, a Hell where he meets up with the dead and chooses to escape, only to emerge into nuclear holocaust. Heller has attempted nothing so bold, and fails, because, in contrast with the sustained comic satire of *Catch-22*, in *Closing Time* he lurches between realism and surrealism with only the certainty of ever-closer death, for individuals as well as for our world, to hold them together. "I'm well into my sixties and we're into the nineties, and this time I'm beginning to feel... that this time things are beginning to come to an end."

Incidentally, we are told what happened at the ending of *Catch-22*. After the Chaplain, at Nately's funeral, saw the vision of a naked angel in a tree, Yossarian (who was in the tree) ran away from the war; he was caught, sent home, and promoted to Major because the Air Force didn't want a fuss. "I didn't get far. I couldn't even get to Rome." "You didn't escape there? In little yellow raft?" "That happens only in the movies..."

Gore Vidal still has the wonderful knack of hitting the nail on the head.

All's Fair, he wrote in the New York Times, "is a him-and-her comedy worthy of early Hepburn and Tracy." The only question, with that incomparable film couple no longer available, is who gets to play Mary and James; his suggestion - and not a bad one - is Susan Sarandon and John Malkovich.

Even by political standards, it might be a messy movie to make, because of its lack of good and bad guys, happy or sad endings and clear-cut plot lines (nothing could be that clear in 1992 with Ross Perot jumping up and down every other month). But Mary Matalin and James Carville, with the assistance of very professional writing help, have managed to produce a book mostly about the 1992 presidential campaign and somewhat about their own love affair that satisfies political junkies without ever becoming maudlin or excessively self-congratulatory.

She is the Chicago native of Croatian descent, who converts to conservatism early and rises steadily in the Republican party political apparatus to the position of political director and deputy campaign chief for George Bush. She has a temper and a tongue and is now, naturally, a TV talk show host.

He is the "magin' Cajun" from Carville, Louisiana, sometime drop-out, sometime Marine and sometime lawyer who had managed many more losing campaigns than he had won until Pennsylvania, 1991, when he directed his Senate candidate from a 47 point deficit to a ten point win over a very well known Republican former governor. That brought him to Bill Clinton's attention

Campaign of love and loathing

Jurek Martin on a his'n'hers account of the presidential race



Well matched for temper and tongue: Mary Matalin and James Carville

ALL'S FAIR: LOVE, WAR AND RUNNING FOR PRESIDENT by Mary Matalin and James Carville, with Peter Knobler Hutchinson £19.99, 493 pages

and, eventually, to the position of manager of the Democratic presidential campaign. He has a temper and is much in demand on the talking head circuit, when not advising Clinton and too many other candidates to mention.

Naturally they fell in love, sustained it throughout the campaign, mostly by rarely seeing each other but talking almost every night, and were married last year. She is a visceral Republican, he a dyed-in-

the wool Democrat, she was emotional about Bush and he about Bill and Hillary and both freely confess to loathing the other's party. James writes, charitably, "I always say I want the people I'm running against to catch the clap and die."

The personal likes and dislikes of both - more in her case than his - keep the book going. Mary's admiration for Lee Atwater, the 1988 Republican attack dog strategist who died of a brain tumour in 1991, is absolute, as is her contempt for John Sununu, former New Hampshire Governor and Bush's White House chief of staff until the end of 1991 ("the political acumen of a doorknob").

Both are contemptuous of the press operating as a pack, regardless of their fondness for

individual hacks. James says it takes the assembled heavies three minutes after an event to decide what is "the story... once the collective mind is made up it will not change... history gets created in three minutes; don't miss it; if you get there late, you're dead." He is not wrong, and not only in the US.

Working in the thick of a presidential campaign is mostly mechanical, often off-the-cuff, and leavened, or pulled, by reactive dirty work. Mary is delighted when finally the Bushies take aim below Clinton's belt, to which she adds with a series of vicious attack faxes to the media, for which she is unrepentant. James is generally more forgiving. After all, it was his slogan - "It's the economy, stupid!" - that in the end made Clinton president, and he is still a political consultant.

The confederation of the book, alternating monologues, sometimes *faux*-conversations, arranged roughly chronologically, works better than it sounds. There may have been - and will be - more profound books on the 1992 campaign, but this has an honest ring. No more so than when James writes "so little of this stuff is contrived and so much accidental. So little of it is Machiavellian and so much is actually human." And it produces a president.

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ARTS

Dreams, demons and a rare talent to disturb

Annalena McAfee talks to Ian McEwan about his first book for children

Incest, bestiality, cross-dressing, murder and dismemberment are not the traditional stuff of children's literature. But when novelist Ian McEwan turns his attentions to younger readers, speculation is inevitable. One newspaper has already referred to "a sex scene" in *The Daydreamer*. McEwan's new collection of short stories for children. This scene, it transpires, describes a single, imagined, and entirely non-incestuous, kiss.

"You see the problem of my reputation," says McEwan, whose early preoccupation with extremes of human behaviour once earned him the sobriquet Ian Macabre. "I suppose it's my own fault," he says wryly. "I'm sure *The Daydreamer* will get poured into the mould somehow."

This reputation as the elegant chronicler of polymorphous perversity has its positive aspect. Since his collection of short stories *First Love, Last Rites* was published nearly 20 years ago, attracting critical acclaim and revulsion in equal measure, he has consolidated his position as one of Britain's most original and successful writers of fiction - novels and screenplays - and acquired the concomitant trappings, including homes in Oxford and France.

The down-side includes incessant requests from Hollywood for scripts about serial killers. "Their sheep-like imagination angers me. They all want to do the same thing. All the plots involve the systematic wiping out of attractive young women. It's so easy to do on screen."

Hollywood is still a sore point after the debacle over *The Good Son*, in which his original script about a psychotic child was "put through the mincing machine" following the interventions of Macaulay Culkin's father. "It's a terrible film. Don't ever go and



Ian McEwan: 'Behind cruelty lies a failure of imagination'

see it," he says, before recalling that it was banned in Britain following the Jamie Bulger murder case.

McEwan's decision to embark on his first children's book marks, in a sense, a return to basics. "I had wanted to write short stories again for some time. This was a way of tricking myself into it." Although *The Daydreamer* (Cape £3.99, 96 pages) is his first work for children, childhood has been a constant

theme in his novels, from *The Cement Garden*, a tender story of forbidden sibling love and unlawful burial, to *Black Dogs*, an exploration of the conflict between science and soul, in which the orphaned narrator states that looking after children is a way of looking after yourself.

The protagonist of *The Child in Time*, devastated by the abduction of his own child, is a writer who finds that, by some accident, his first novel is

humiliatingly categorised as children's literature. McEwan enjoys the irony. "Yes, he earned so much money with his book that he generated an enormous tax bill which made it inevitable that his second book was for children. I was wondering if I was about to just become a children's book writer. But I think I've escaped that fate by coming to it late."

The Daydreamer represents the fulfilment of a promise to his 11-year old stepdaughter Alice, who had asked him to write some of the stories he had made up for her on holiday. The stories have had a lengthy gestation - Alice is now 22 - and went through several changes and refinements in the retelling to his other step-daughter Polly, now 24, and his sons William, 11, and Gregory, 8. "I inscribed Alice's copy saying 'sorry, it's late'. She said she was perfectly pleased to have it at any time."

The collection is also a celebration of the imagination, of waking dreams, "that thing teachers are always telling you off about but is a vital part of everyone's inner noise." The theme of the book is transformation and exchange and the mood is in turns elegiac, disturbing (though, *pace* Hollywood, no more so than many favourite fairy tales) and subversively funny.

Peter, the central character, swaps places with the family cat, subsequently becomes a baby for a day (featuring cross-dressing, though transgenerational rather than gender), erases his thirsome family limb by limb (dismemberment, albeit bloodless), and is set upon by a pack of disaffected dolls (more dismemberment, pictured right). The language is spare but finely wrought and every story, accompanied by Anthony Browne's delicately menacing black and white illustrations, has the haunting quality of a classic.

"I don't want to sound pompous," says McEwan. "But I think it is a crucial part of one's sanity to imagine things other than they are. The ability to imagine yourself as someone else must be at least part of the basis of morality. Behind cruelty must lie a failure of the imagination, of empathy."

The switch of focus from adults was not difficult. "My impression of conversations with my children is that there is nothing you can't talk to children about, short of VAT and income tax returns. There are clearly disturbing things I wouldn't want to discuss with them, but they would certainly be horribly interested."

He cites the success of Roald Dahl's gleeful misanthropy as evidence of children's fascination with the proscribed and the nasty. "Everyone else was writing stories encouraging children to have correct attitudes, especially in the Seventies. A lot of children's books were shockingly condescending and didactic - improving books encouraging the right attitudes about gender and race. The attitudes themselves were fine but if novelists want to push values then I think they should write moral tracts."

McEwan also defends the derided Enid Blyton, whose stories enlivened his own childhood, and who incurred the contempt of the orthodox moralists of the Seventies.

"They were all marvellously ridiculous stories. Each summer holiday a gang of kids would disrupt an international conspiracy of villains with dogs, picnics and ginger beer." Anything that gets children reading, he maintains, is worthwhile. "When I see my children excited by a book it's a real high: that crossover moment when children don't move their lips when they read and they're seeing something unfolding in their head. Planes



could be crashing, heroes could be macthing their way through jungles, but all there is is silence and the sound of turning pages. That's the moment when a child has a private life."

McEwan does not, however, subscribe to the dewy-eyed view that childhood is an Eden

from which we are all brutally expelled. In *The Daydreamer*'s final story, Peter, on holiday with his family, has the grim realisation that one day he must leave the group that runs wild on the beach and join the group that simply sits and talks. Overnight he becomes an adult, has that first kiss

and, later reverting to boyhood, comes to realise that there are adventures ahead after all.

"I wanted to show that being an adult can be fun too," says McEwan. VAT, income tax returns and the limited imaginations of Hollywood producers notwithstanding.

Nostalgia with panache

Antony Thornecroft reviews 'Only the Lonely'

The Big O is not some nameless horror (oh, perhaps it is) but the pseudonym of Roy Orbison, who made a career out of proving that life copied art. Orbison sang melancholic ballads about loneliness and loss, and sang them even more fervently when tragic accidents wiped out first his wife and then two of his children. A career slump did not make him laugh much either.

But such traumas provide an ideal centrepiece for yet another rock-biog musical. We start, naturally, at Orbison's funeral - he died of a heart attack aged 52 - and are soon into one of those "why, oh, why" scenarios, with son Wesley asking Roy's best friend "what sort of man was daddy?", and hanging around 2 1/2 hours for the answer.

Actually Orbison was a very simple man. He had an amazing voice, described once as sounding like "the slow fall of tear drops", and minimal personality. On stage he hid behind dark glasses - a wise move since he looked like a Halloween pumpkin with the worst haircut in the world, and never spoke to his audience. So naturally Bill Kanwright's much worked-over production concentrates on the songs, all 40 of them.

The songs are great, from the inevitable "Only the Lonely" to the unlikely "Born to Run" (Springsteen was a great Orbison fan), and they are enthusiastically performed by one of those bands of fine

musicians who go to pieces when asked to play cameo acting roles.

Still, it hardly matters with Larry Branson as Orbison. Branson is a Canadian who has built a career as a Roy Orbison look-alike. The resemblance is uncanny, and the voice is not bad either, fine for the low notes and the vibrato, a bit rough in the upper reaches.

Of course just before his death Orbison had been rediscovered and was working with Bob Dylan, a suitably tragic finale. Rock musicals always follow identikit plots of mercenary managers, abandoned wives, marriage to one night stands, and the inevitable circles of success, failure, success.

Only the Lonely is as good an example as any, and will please the middle aged with fond memories and the young who like a good weep. Orbison was always popular in the UK and, in his easy going way, he did not take umbrage when on his first headline tour he was given the Beatles as his supporting group; he proved putty in the hands of Brian Epstein, who switched the billing.

Such is the stuff of modern drama. Catherine Porter is suitably anguished as wife Claudette, who inspired a big Orbison hit and whom he married twice. Among the welter of quick impressions from the multi-part cast, Anne Smith was a notable Dusty Springfield. There is little insight, or subtlety, in the show but it delivers nostalgia with an agreeable panache.

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An uncanny resemblance: Larry Branson (front) as Roy Orbison

Anarchy versus German romanticism

The South Bank has a multi-art "Deutsche Romantik" festival in train now, ambitious but so broadly focused as to risk losing the bird-in-hand. It began on Thursday with a London Philharmonic concert: Beethoven's Fifth and Wagner's *Wesendonk Lieder*, very proper choices, but also Hans Werner Henze's *Heliogabalis Imperator* (from 1972, revised in 1989).

The best excuse for that was that it prompted an introductory speech by Henze himself, who compressed an intelligent, soulfully left-biased diagnosis of German romanticism into some ten minutes. GR (or DR, if you prefer) was a matter of reclaiming German folksong and its artless native ways; of revelling in the German *Landshaft*, in Weber's hunting-horns and simple, singable airs, and in Schubert's discovery of naive young millers and their maids. What came later, Henze told us, was tragically adulterated by ideology and nationalist propaganda.

Wagner's name was never actually mentioned, nor the fact that subsequent musical developments came from An-

trian composers rather than German ones. By implication, Henze's own *Heliogabalis* must have been meant as a celebration of the "true" Romantic tradition - sexual liberation and happy anarchy, as it turns out, with no political intent whatsoever. One might mistrust that. Henze's *glorie et misère* have always been indissoluble from his extreme sensitivity to popular (student) political phrases.

Anarchical liberalism was fine for Woodstock, but it soured with Kent State, Altamont and the dull fate of Sid Vicious. *Heliogabalis* reaches back to an imagined hedonist past: the 15-year-old boy-emperor makes his sumptuously exotic entrance, as reported by the ancient scribes, initiates three years of comprehensive polysexual debauchery (mostly on revished, sighing strings) and is then brutally assassinated by the Praetorian Guard. That was not the kind of thing that Schubert or Weber had in mind.

As a musical construction, Henze's *Heliogabalis* struck me this time as indefatigably colourful but thinly stretched. There are ritual post-echoes of his 1965 Anden opera *The Bas-*

arids - not of its androgynous hero Dionysus, but of the deadly ritual itself - at the start and finish. In between, with a spate of instrumental solos (for the young Emperor's newly appointed senators: "children of love, rough-hewn but hearty") *Heliogabalis* tries on a variety of just-post-60s dress: silky Messiaenic tone-clusters for the strings, bird-calls and learned two- or three-note effects from solo winds, some improvisation, some frank theatrics. It lacks any persuasive through-put. Fun, but not much cop. Franz Weiser-Möst conducted Henze with self-effacing flair. His Beethoven 5 was disconcertingly swift, without any of the time-honoured rhetorical pauses, but coolly alert and vital. For the five *Wesendonk-Lieder*, of which Wagner orchestrated only "Träume", he recreated some plausible Wagnerianism. The soprano Amanda Roccoff found her expressive way into these songs rather well, without convincing me that they require anything less than the grand, steady depths that a fine mezzo can command.

David Murray

Camus on revolution

It is an excellent idea to revive *The Just* by Albert Camus in the mid-1990s - the kind that one might have hoped would have arisen in the Royal National Theatre. The play is based on the abortive attempt at Russian revolution in 1905 when the Grand Duke Sergei Alexandrovich was assassinated. Yet, written in the late 1940s, it is really about the debate within the French left: how far should you go in supporting Stalinism (or any party), right or wrong? How far should you stick to revolutionary violence if you believe that the ultimate end is benign? And, if you have to assassinate children along with the Grand Duke, for how long do you believe that the end justifies the means?

Those are old questions. They do not necessarily become less interesting with the collapse of communism. As this production at the Camden Studio Theatre is clever enough not to stress overtly,

there was quite a lot of Stalinism, and violence for its own sake, in the IRA.

So *The Just* is both a period piece, historically fascinating, and still just about topical. The trouble is that Camus, for all his intellect, was not much of a playwright. He thought, as was the French fashion of the time, that the theatre could be used to debate ideas without taking much account of character, feeling, plot or variety. *The Just* has the touch of a seminar on moral philosophy.

Yet it is a better piece than I remembered. Occasionally - when, for example, we are waiting to hear whether a shooting takes place - there is drama. And the ideas under discussion can hardly be dismissed as trivial. A relatively young audience at the Camden Studio seemed to find them riveting.

It is also always possible to make an unexpected character come to life. The example here is Skouratov, the chief of

police, played by Eldridge Adolph. I doubt if even Camus, who was clearly a subtle man, would have seen him as the most enigmatic figure in the piece. But that is how he is: a civilised man trying to preserve order in an unstable state. An unusual amount of sympathy also goes to the Archduke's family: Camus was a bit more radical than that.

Some of this interpretation may be put down to the acting. Those who play the old order are better performers than those who seek to launch the revolution. Still perhaps that, too, is deliberate: we are all conservatives now.

This revival is directed by Kate Schaffer as part of Grande Designe Theatre Company. It is a reminder to more established theatres that there are old texts worth looking at.

Malcolm Rutherford

Camden Studio, Offstage Bookshop, NW1 (071 916 4040).

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The noble rot at a society's core

Peter Aspden, at the RA's Venice exhibition, saw only the sad degeneration of a culture

I guess it was just another tale of Piccadilly low-life; a succession of fleshy floozies catching my eye everywhere I turned, while their lusty men-folk patrolled the alley-ways looking for action. Some of them wore masks, but I could see through their cheap disguises. They were frightened. This was a society on the brink of collapse, and they knew it.

It was a highly disturbing couple of hours. But when I left the Royal Academy's *The Glory of Venice* exhibition, the whiff of "Chanel No. 5 crossed with aerosol room fresher", as the catalogue describes the pervading atmosphere, stuck in my throat: why this fascination with the 18th century? And if this really was the Age of Reason, the ultimate expression of man's rational mastery over the universe, why did its patrons surround themselves with the kitsch and glitter of these

ghastly artefacts?

Many speak of the joy, the sensuality, the celebration of 18th century art at the Royal Academy. I saw only the sad degeneration of an entire culture, the noble rot at the core of a society intent on partying for dear life. Were its leading lights so blinded by the pellucid skies and arcadian visions that they failed to see the storm clouds gathering?

Some of the paintings are religious, at least in theme; but their tone betrays them: Tiepolo's *The Immaculate Conception*, in which a curvaceous, knowing Virgin

modestly acknowledges the painting leers of the surrounding cherubs; Piazzetta's *Guardian Angel*, who gestures grandly above the camp theatrics of her adoring saints. Forget spirituality; more palpable in the exhibition is the *douceur de vivre* of this self-indulgent age, the air of pleasure and luxury which permeates even the smallest works.

These mannered, stylised creations, beautifully painted though they may be, speak of an unbridled arrogance totally devoid of sacredness or humility of spirit, emblematic of a society utterly engrossed

in its own affections. Little wonder that the French, having captured Venice and the famous Lion which symbolised the city's supremacy, shipped the statue in small pieces back to Paris where it was re-assembled with its tail lowered and placed between its legs.

But why the fascination? Could it be that the brazen excesses of the 18th century remind us, ever so slightly, of our own? The sharpest minds of that period described their cultural milieu in terms we are not unfamiliar with today: opulent, acquisitive, corrupt, phallic, insecure. It is a mistake to

assume that all intellectuals of the Enlightenment celebrated the unqualified triumph of reason and science; did Alexander Pope not jibe at man's role as the "Sole judge of Truth, in endless Error hurled: The glory, jest and riddle of the World?"

We too live in a cynical world which glorifies sensuality and revels in the ironic twists and turns of a post-heroic mentality: is a trip to *The Glory of Venice* simply an act of mass transference by which we can guiltlessly enjoy the corpulent delights of an era we identify with our own?

That is why I felt a little sick as I wandered round the Royal Academy, hurrying past its dank allegorical tombs, its insipid canal views (can these continue to have any impact in an age of mass tourism?), those oh-so-naughty *putti* urinating out of the clouds, the chained Nubian slaves holding aloft their prized pieces of porcelain. Charming as a bucket of cold custard. The show ends with the cloying works of Canova; take a close look at the pious plaster bas-reliefs *Teaching the Ignorant* and *Feeding the Hungry*, then go and look at the Parthenon Marbles, and

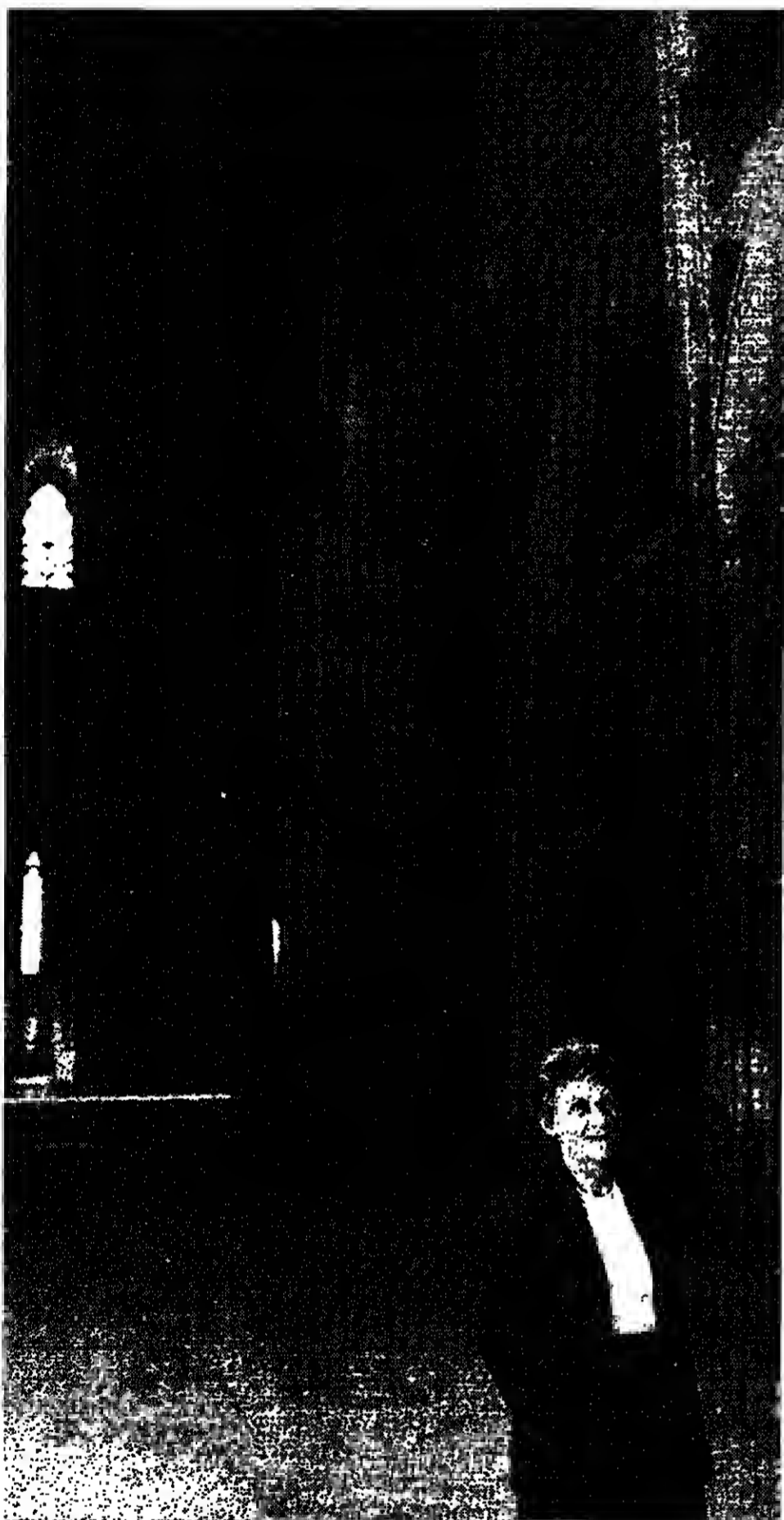
weep for what happened to Western Civilisation.

Once out of the exhibition, however, there is no escape, for the shameless hedonism continues in the gallery shop: carnival masks, silk scarves, needlepoint kits, Basano ceramics, Murano jewellery, multi-coloured pasta and charcoal-roasted artichoke hearts. A man approaches me to explain my chances of winning a holiday (overlooking, you guessed it, the Grand Canal) if I buy a lottery ticket for the Royal Academy appeal.

It is all too much, I wonder which is more decadent, a society which splashes its decline all over a piece of canvas, or one which pretends it is not happening and keeps falling in love with its past. ■ *The Glory of Venice: Art in the Eighteenth Century, at the Royal Academy of Arts, London until December 14.*

Private View/Christian Tyler

Aristocrat who chose the cloistered life



Daniel Kuentz

To be born with a fear of heights when your home is a gothic abbey almost as tall as you.

"No, I don't think so. If something could make me a bit old-fashioned it's not because of the place, it is because of the education I received." Part of that education was at a girls' school in Surrey, where she acquired her well-accented English.

For all her background in the landed aristocracy, it has required a certain financial and spiritual asceticism on the part of the abbess of Valmagne (as she jokingly calls herself) to rise to the challenge of the place.

Do you sometimes feel it a terrible weight?

"No," she laughed. "Sometimes I'm tired. But it's not the place, it's the work."

She is strong-willed and a traditionalist, but quite without *hauteur*. She looks after people in trouble, and her four dogs were taken in as strays.

To me, she would only describe herself as a perfectionist who saw untidiness everywhere.

You mean you look for cracks in the walls and litter on the ground?

"I see that, but each time I go to the cloister I think it's so beautiful - unless I'm in a hurry or something."

Do you feel the weight of the past?

"Of course. I am very interested in the past of the abbey. And of course St Bernard (spiritual father of the Cistercians) has occupied a lot of my time. I'm very much impressed by St Bernard. Well, he's been criticised for the Second Crusade, which was a mess. But for his writing and his importance in Europe..."

"Very often I imagine how they built the church - the time it took, the people, the peasants who were just fed and clothed and defended it during the Hundred Years War. Those people worked to the glory of God, and that's all. No money."

"And when I see the world now, how it is that everything is for money; and I see what is going on in France at the moment - it's amazing, like Italy, all those politicians taking money for themselves - I do compare, and say we are living in a very mad world."

Is it a religious impact the place has on you?

"No, not even. It's that I think the world is very ill and I wonder how long it can continue like that."

She contrasted the profits of the pharmaceutical companies with the poverty of those who died because they could not afford treatment.

who come here for the first time.

Do your friends who live in ordinary houses find you different?

"No, I don't think so. If something could make me a bit old-fashioned it's not because of the place, it is because of the education I received."

Part of that education was at a girls' school in Surrey, where she acquired her well-accented English.

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Is it a religious impact the place has on you?

"No, not even. It's that I think the world is very ill and I wonder how long it can continue like that."

She contrasted the profits of the pharmaceutical companies with the poverty of those who died because they could not afford treatment.

A door opened and the four dogs, spreadeagled on the dining room floor of the private wing, leapt up barking. "La pazza", shouted their mistress.

I asked her about her own budget.

"I do not spend a lot of money for myself - very, very little. I am not very interested in money, really. Of course I used to travel in the old days. I never go for holidays now."

What about clothes?

"Very ordinary clothes. I try to find clothes nice but not very expensive. Well, that and a bit of food when the children are here."

She was referring to the three young children of Philippe her son and Ruth his English wife who live nearby and run the vineyard.

"When my husband died, I got a little pension."

Diane d'Allaines has dedicated herself to the 12th century Cistercian abbey she inherited

Valmagne was still in some disrepair when Diane d'Allaines took it over from her mother. There were huts in the rooms to catch the rain. Fortunately, she had the wherewithal to do something about it. She had inherited another property, a chateau called Brinon near Orleans with an 84-metre frontage (as long as the nave of Valmagne), two wings and 26 bedrooms.

"It was a shocking place and nowadays - pool! - you buy pheasants, you put them in a wood and..." She clapped her hands to simulate gunfire.

"All we could do there was put up a luxurious hotel for shooting. That didn't interest me. A choice had to be made between Valmagne and that place. For me, who am quite *meridionale*, the choice was

done." As if to emphasise the finality of the decision, she referred to Brinon only as "the other place", never by name.

The sale of Brinon enabled her to put a new roof on Valmagne, a job costing over FF2m (£250,000), to extend the private wing and thus to convert a romantic relic into a going concern.

Had she not been afraid of the responsibility?

"I think I didn't see that, no. I knew it was going to be very hard, but this place was worth it and the other was not."

The dogs were restless and she went into the kitchen to get their food. The mongrel's bowl she placed outside the back door, the old red setter's just inside, the little white poodle's by the stove and the basenji's by the coat-rack.

"My life is full," she said. "It wasn't like that before. Very often I think I've got a lot of worry... But I think my life is full and I think too I've done something with my life, something which will survive. And that is a great satisfaction for me. Otherwise, if I had stayed over there in the other place - well, it is a very ordinary life, *banal*."

Did you think of yourself as a strong person?

"I never asked myself that question, but now *Alliez! Dehors!*" - she shoos the dogs out - "I'm not so interested in me like that, you see. The thing is that I'm pushed by events. When I was younger, very often I thought life was difficult. I was asking myself questions. Now I do not. Life - it's hard very often but gives me satisfaction."

The state helps with grants and a recent measure has relieved owners of historic monuments from death duties. Routine maintenance is covered by a grant (currently FF480,000 a year) and income from visitors, conferences, wedding receptions and the like. The vineyard is quite separate, and just about profitable. She continues to put in her own money for such capital works as re-opening the

ricked up abbey windows, three of which have just been completed.

But the great church is hunkling. Whether by mistake or to preserve the romanesque cloister on its south side, the 13th century architects made the flying buttresses on that side too slender.

Do you have dreams of it falling?

"No, no!" she exclaimed with horror. "You do everything you can. After that... well, after a certain point you are not responsible."

And if it suddenly started to move...?

"But don't say that. It's been like that ever since 1357. It won't move tomorrow morning. But we must do everything in such a way that it doesn't move in 20 years. I'm working not for me. I'm working for them... That's all."

It was not clear if she meant her heirs or the people of France.

"My feeling is not the feeling of an owner," she continued. "I think I'm only a *responsable*. I'm one in the chain and I must transmit it. And I hope it will stay in the family. But you see we do not know."

If your grandchildren decided to be airline pilots instead, would you be devastated?

"I think if they do not do what they ought to do, they do not deserve it. You see, you must in a way deserve what you have, don't you think?"

"And of course I hope one of the three - maybe the three together if they get on - will be able to keep it. If not, well..." She broke off with a shrug.

"When you are born in a family to whom this sort of place belongs, you must consider yourself as a *responsable* and not an owner. You have no rights. You have duties. I will try and explain all that when they are older."

"They must also be thankful for all the generations before who have kept the place and transmitted the place. And that they must never forget."

September marked a new stage in the European debate. It is not now just about Europe. It seemed to take a traditional turn with the publication of the now notorious paper by the German Christian Democrats proposing a Union based on a "hard core" of five or six states. But there were also two little-noticed comments by the Czech prime minister, Vaclav Klaus, which, if taken seriously, could breathe new life into the flaccid body of British negativism and nationalism on this subject.

In an article in *The Economist*, written before the CDU paper appeared, Klaus established a simple principle of subsidiarity: "We cannot escape responsibility to solve our problems at home... Nor should we be surprised if the forms and pace of European integration prove to be determined by the real interests of the countries concerned and of their citizens, rather than by artificial blueprints approved at various inter-governmental summits."

Klaus concluded with an analysis of the difference between European "integration" (good) and "unification" (bad). These views attracted less attention than they deserved for they were overtaken by the row about a multi-speed Europe. The CDU said someone had to set the pace and it should be a group-

As They Say in Europe/James Morgan

The train spotter's guide to unification

ing based on the Franco-German axis.

Klaus replied in the Prague daily *Lidove Noviny*. He said that Europe was a "multi-speed continent, whose elements have always been strikingly different from each other". He was alarmed about the way things were going. There was a growing view that "Europe" was the basic unit, whereas in fact the nation was, and would remain so.

If all this sounds like Lady Thatcher circa 1990, it is not surprising. While she talked about throwing back the (economic) frontiers of the state and not allowing Brussels to roll them forward again, the central Europeans think in terms of their recently reclaimed political independence. Central European nationalism is at odds with the ideology of Europe, even when that nationalism has the civilised and utilitarian character offered by Vaclav Klaus.

Britain should heed Klaus. He says that, when it comes to

joining Europe, "The Czech Republic will find it easier to board the slower train rather than the 'super express'". Why does John Major not say that? Why not follow the advice of the *Only Telegraph*: other countries should be told they are welcome to try an economic and monetary union

nature of the hard core was revealed.

If there is a slow train in Europe, the British will be in the driving seat, with a fair chance of seeing the express derailed. But the British have their own illusions which overstate the power of the nation. Listen to the endless crowing about the departure of the UK from the European Exchange Rate Mechanism a couple of years ago.

That governmental disaster is now credited with near-magical properties: the consequent cut in short-term interest rates brought about a boom, the devaluation of the currency made British exports competitive. With one bound, the Union Jack was free. No matter that if there is a great recovery going on, nobody outside the M25, the motorway around London, believed it. No matter that the devaluation has not eliminated the country's trade deficit while other nations, still un-devalued within an unofficial ERM, suf-

fer no such problem.

The cut in interest rates was a good thing but that is a reflection of the exaggerated British reliance on short term loans. All that has happened is that Britain has moved from a monetary policy dictated by the Bundesbank to one dictated by the bond markets. What will be said when they force unacceptably high short term rates on us?

Professor Reimut Jochimsen, a member of the council of the Bundesbank, entered the debate when he told a conference in Oxford last month that the nation-state had become too small to solve most problems with which it was confronted. He concluded that there ought to be some middle way between a Brussels super-state and the nation.

So there is a new argument about Europe. Klaus welcomes the idea of many speeds where nations can choose their own destiny and says the nation state can solve its own problems. The Bundesbank says it cannot and wants a train to a destination that has yet to be built. The British want there to be just a slow track or no track, and the Euro-enthusiasts want to drag the true believers away from the rest to a station all of their own. A four-track Europe.

James Morgan is economics correspondent of the BBC World Service.

No one can agree on a timetable or a destination says James Morgan

and Britain would watch quite happily as the whole thing fell apart. Anyway, nothing worries Euro-enthusiasts more than explicit moves to strengthen the unification process. It was *Le Monde* which headlined its comment on the CDU paper *Rudesse germanique*. It was the Italians and Spaniards who clamoured "me too" when the exclusive

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